FINANCIAL TIMES

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China: cheering trade message for the West, Page 12

World news

Coal mine blast in France kills 22

France's worst coal mine disaster for more than a decade claimed the lives of 22 miners and left about 100 injured.

An explosion 1,050 metres underground in the Forbach mine at Metz near the West German border is believed to have been caused by igniting methane gas given off by coal.

Mine officials said 923 men were working in the pit at the time of the blast and rescue attempts were hampered by gas concentrations.

Lebanon call to UN

Lebanon is asking the United Nations for a Security Council meeting over Israeli operations in southern Lebanon. Israeli troops yesterday kept a tight control on roads in the Shia Moslem areas on the sixth day of its anti-guerrilla drive.

Gromyko in Italy

Mr Andrei Gromyko, the Soviet Foreign Minister, is expected to press the Italian Government to distance itself from the U.S. over the "star wars" defence strategy during his three-day visit to Italy. Page 2

Butter for Berlin

West Berliners will be offered 900 tonnes of free butter as part of the European Community's latest Ecu 1.2m ($840,000) scheme for disposing of its food surplus. Page 2

Police dismissed

The Peruvian Government dismissed more than 1,200 police for criminal offences after investigations into allegations on theft and drug trafficking. Peru has a police force of about 65,000.

PoW exchange

Gulf war enemies Iran and Iraq indicated their willingness to exchange prisoners of war. Iraq called for UN assistance in starting the exchange.

Ethiopian claim

Ethiopia's leader Mengistu Haile Mariam accused Western nations of using the drought in Africa as a weapon to advance their political aims.

Oslo spy trial

Arne Treholt, a former Norwegian junior minister accused of spying for the Soviet Union, was blackmailed into continuing his alleged activities after an orgy in a Moscow flat, his trial in Oslo was told. Page 2

Pakistan violence

Three people were killed and several injured as voters in Pakistan participated in the country's first general elections for eight years. Page 3

Tear gas fired

South African police fired tear gas at a crowd protesting about rents at the "coloured" (mixed race) township of Atlantis, north of Cape Town.

Hostages freed

Filipino commandos freed a bishop and eight other hostages held by Moslem guerrillas on the island of Mindanao.

Slave claim

Five hundred Nigerians were used as slaves in Equatorial Guinea and are now missing, according to the Nigerian Government.

Teachers strike

Thousands of teachers in England go on strike today in support of a 12 per cent pay claim.

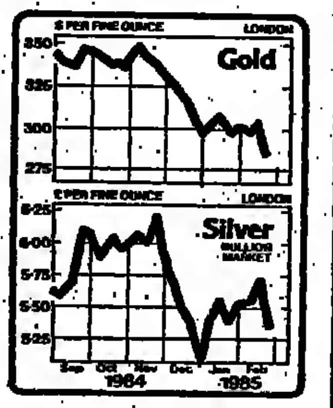
Business summary

Twist in battle for Wheelock Marden

HONG KONG-based shipping billionaire Sir Yue-Kong Pao bid HK$322m ($45.5m) for quoted Wheelock Marden associate, Allied Investors. Page 16

DOLLAR rose in London to DM 3.4510 (DM 3.3870), a record FFr 10.55 (FFr 10.37) and SwFr 2.9165 (SwFr 2.8565), but was weaker against the strong yen at Y262.6 (Y262.75). On Bank of England figures, its exchange index rose to a record 157.1 from 155.1. Page 33

STERLING lost 2.25 cents in London to close at $1.0545. It also fell to DM 3.6425 (DM 3.65), FFr 11.15 (FFr 11.165) and Y276.25 (Y283.25). It was unchanged at SwFr 3.08. The pound's exchange index fell 0.6 to 70.9. Page 33



GOLD prices fell in London to the lowest level since August 1979, hit by the dollar's continued rise. The spot price lost $14.25 to $284.75. In Zurich it was down to $284.25. Silver was also hard hit, with the sterling price closing 24.1p down at £5.33. Page 32

WALL STREET: The Dow Jones industrial average closed 1.66 up at 1,277.50. Section III

LONDON equities were unsettled by pressure on sterling, taking the FT Ordinary index 7.2 lower at 968.0. Gilts eased. Section III

TOKYO stocks traded sluggishly, but the Nikkei-Dow market average reached another all-time high of 12,201.04, up 29.12. Section III

ISRAEL is having increasing difficulty in raising international credit, according to Mr Bino Zadik, general manager of the First International Bank of Israel, the country's fifth largest bank. Page 3

TAIWAN authorities have arrested 10 senior executives from the Tenth Credit Co-operative and Cathay Plastics Corporation in connection with financial problems at the two related companies. Page 15

VOLKSWAGEN, West Germany's biggest car manufacturer, increased worldwide sales revenue by 13 per cent to DM 45.7bn ($13.8bn) last year despite labour conflict in the motor industry. Page 16

ISUZU MOTORS of Japan increased its net loss for 1984 to Y17bn ($65,000) from Y5.1bn a year earlier. Page 16

TOSHIBA, the Japanese electronics concern, may acquire e majority interest in Sord Computer, the troubled privately owned software personal computer group. Page 15

RAND MERCHANT BANK, the privately owned South African bank, increased taxed profit of R2m ($970,000) for 15 months to end 1984 compared with R1.2m the previous year. Page 16

CITIZENS & SOUTHERN Georgia, the biggest bank in Georgia, has agreed to buy Landmark Banking Corporation, Florida's fifth biggest bank, for about $500m. Page 15

ABITIBI-PRICE, Canadian forest products group, bid C$53m ($39.25m) for Barbecon, the country's largest envelope manufacturer. Page 15

UNITED STATES Projects, a leading Malaysian property developer, reported a 34 per cent rise in pretax profits to 58.4m ringgit ($23.3m) for 1984 despite e depressed property market. Page 16

Central banks stay on sidelines as $ continues surge

BY PHILIP STEPHENS IN LONDON

CENTRAL BANKS stood by powerless yesterday as a remarkable surge in the dollar's value swept it to record highs against sterling and other European currencies.

In the steepest climb over one day that traders could remember, the dollar rose by nearly 1.5 per cent against other principal currencies, with the central banks failing to mount even token resistance.

Sterling lost 2.25 cents to fall to an all-time low of $1.0545 at the London close, while the French franc, Italian lira and many smaller currencies were at their lowest ever against the dollar. The D-Mark, which last week bore the brunt of the U.S. currency's rise, lost a further 6.3 pfennigs to end at DM 3.4510.

In the London money markets, interest rates edged higher, creating some uneasiness over the outlook for the general level of borrowing costs.

Foreign exchange dealers said that the wave of dollar buying orders from commercial customers and speculators led to frantic trading, with the dollar crashing through record highs almost hourly in the early part of the day.

The dealers cited the same factors that had boosted the dollar last week – the expectation of higher U.S. interest rates and President Ronald Reagan's rejection of moves to depress the U.S. currency – as the reasons for the latest surge.

Central bankers acknowledged that intervention against such a strong trend would have been hopeless, although they insisted that they were keeping their options open to intervene jointly if the right occasion arose.

There are clear signs, however, that the West German Bundesbank, which has so far taken the lead in attempting to slow the dollar's rise, now believes that intervention can only be effective if the U.S. authorities play a prominent role.

Differences have also emerged between European central banks on how vigorously they should act. The Bank of England has come in for criticism from other banks for an apparent unwillingness to commit substantial amounts to intervention.

In particular, the British authorities have been attacked for failing to respond to an initiative from the U.S. Federal Reserve that would have paved the way for concerted intervention during Mrs Margaret Thatcher's visit to Washington last week.

That has led to suggestions in some European capitals that Britain will only support joint intervention when the pound is under particular threat.

Yesterday, the view of most foreign exchange dealers was that it would take massive dollar sales to stem the flow of funds into the U.S. currency and that after President Reagan's comments the Fed would not join such actions.

"There is only one country thet can push down the value of the dollar – the U.S. – and it is not prepared to do it," was the comment of tha foreign exchange manager of e leading U.S. bank in Frankfurt.

The dealers said, however, that the markets remained wary of unilateral action by the Bundesbank aimed at sparking bouts of profit-taking in the U.S. currency.

The rise in sterling interest rates yesterday was not enough to bring any immediate threat of a further rise in the banks' base rates, particularly as sterling held up well against other European currencies.

The 0.6 point fall in the sterling index to 70.9 yesterday was mainly a reflection of dollar strength.

There is concern in the City of London, however, about the psychological impact on financial markets if the dollar's surge looks like driving the pound down to parity.

Editorial comment, Page 12; Lex, Page 14; Money markets, Page 33

Nearly 50% of British miners back at work

BY JOHN LLOYD, ROBIN REEVES AND MAURICE SAMUELSON

HALF of Britain's miners now seem certain to be back at work this week after a record number of 3,807 men abandoned the pit strike yesterday.

The surge in the return to work follows the collapse last week of attempts by the Trades Union Congress to find an agreement to end the dispute, now nearly a year old. The National Coal Board (NCB) claimed that about 91,000 men, or just under 49 per cent of its 186,000 miners, were now at work.

Yesterday's return sparked calls from branches of the National Union of Mineworkers (NUM) in the strike's heartlands to have an orderly return to work in the near future.

In a further blow to the NUM, the area council of the Nottinghamshire coalfield – where most miners have continued to work throughout the dispute – voted by 22 votes to 11 to end immediately the 16-month ban on overtime. The decision is expected to increase the 350,000 tonnes weekly output from the coalfield by at least 70,000 tonnes, or 20 per cent.

That would bring the NCB's weekly deliveries of coal to well over 1m tonnes, or about half of its normal weekly deliveries for the time of year of 2.25m tonnes.

Mr Roy Lynk, the Nottinghamshire NUM's acting general secretary, said after the meeting yesterday: "We have kept the overtime ban going and that in itself is a remarkable achievement, because the Notts miners have not had a pay rise for two years." A Notts miner might expect his weekly wage to increase by £50 ($53) to between £180 and £200, with overtime.

The return to work yesterday was described by Mr Arthur Scargill, president of the NUM, as a "disaster for the coal board who expected 8,000-10,000." But, on the board's figures, the return was most pronounced in the most solid areas of the strike.

In South Wales, the numbers at work doubled when 532 "new faces" reported for work, bringing the area total to 1,032. It remains only 5 per cent of the area's 19,500 mineworkers – but includes in that number a few of the strike's previously most vociferous supporters.

Mr Tony Ciano, secretary of the Cynheidre lodge – which saw the biggest return, with 152 new faces bringing the pit's total at work to 296 out of 1,114 – predicted the strike would be over at the pit next week.

He said that a branch meeting over the weekend had issued a call to the area executive, meeting today, to reconvene the coalfield conference to arrange an orderly return to work.

In Yorkshire, where 1,312 miners returned yesterday, four pits – Allerton Bywater, Kellingley, Ledston Luck and Sharlston – have all called for a return to work organised by the area leadership. The Yorkshire area council meets today

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Coal industry reshapes, Page 7

Polish food price policy eased in face of Solidarity threat

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH Government yesterday decided to reduce its planned food price increases and spread them over a year in the face of sustained criticism from Solidarity, the banned trade union, which had threatened a national strike this week.

The Government also decided to increase pensions and cut housing costs to cover the price increases. The climbdown followed a call at the weekend from the trade unions set up to replace Solidarity for the proposals to be modified.

Mr Lech Walesa, the Solidarity leader, yesterday urged the Government to produce a "credible" plan to deal with the country's economic difficulties. Speaking before the government announcement of changes to the price rise plan, he implied that his union would agree to sacrifices if economic plans negotiated with the Government provided a hope of improvement.

It was not clear last night whether the planned 15-minute general strike called for noon on Thursday would go ahead, as details of the new price proposals were not yet available.

In Solidarity's view, the price rises were meant to cover the cost of official mismanagement, waste and higher spending on the administration, police and defence.

In a separate paper, accompanying Mr Walesa's statement, Solidarity economists argued that the only solution was to implement decentralising economic reforms which go further than the moves the authorities have introduced so far.

The reforms, the paper said, should include changes in the central bureaucracy, which is seen as a bulwark of opposition to e more market-orientated economy. Solidarity also asked for a general indexation of wages and pensions against rises in the cost of living.

The proposed food price increases would have little effect apart from making large sections of the population poorer.

In arguing that the present pressure on prices stems mainly from continued investment in uneconomic projects inherited from the 1970s, the union said too great an emphasis was placed on heavy industry in the economy.

● The Polish Government has accused e U.S. diplomat of spying and given him 48 hours to leave the country. The diplomat, Colonel Frederick Myer, a military attaché, was stopped last Thursday with his wife when they were taking photographs in a restricted military zone.

Israelis warm to Mubarak peace proposals

By David Lennon in Tel Aviv

ISRAEL is willing to hold peace negotiations with a joint Jordanian-Palestinian delegation provided it does not contain representatives of the Palestine Liberation Organisation (PLO), Mr Shimon Peres, the Israeli Prime Minister, said yesterday.

The idea for such talks had been put forward by President Hosni Mubarak of Egypt. His proposal, Mr Peres said, was being studied with great interest.

Mr Ezer Weizman, e minister with special responsibilities for relations with Egypt, last night called the Egyptian initiative "e positive and interesting step and a demonstration of strong leadership by the Egyptian president." It was a logical development of the frozen Camp David peace process.

The two Israeli leaders met last week during a visit to Bucharest with a senior Egyptian official who informed them of the planned initiative by President Mubarak. After that meeting, the Egyptian leader announced his proposal for breaking the stalemate in the negotiations on the Palestinian issue.

Israel has rejected all efforts to persuade it to hold negotiations with the PLO, but has repeatedly expressed willingness to discuss the future of the occupied West Bank with Jordan, from which it was captured in 1967.

The recent Jordanian-PLO accord, which spoke of Palestinian willingness to trade peace with Israel for territory, was not received enthusiastically by Jerusalem, which criticised it as being too vague on the question of PLO willingness to abandon its goal of destroying Israel.

Israel's Minister of Energy, Mr Moshe Shahal, went to Cairo last night for the first visit to Egypt by an Israeli Cabinet Minister for years. It is believed that he will also discuss President Mubarak's initiative when he meets Egyptian officials.

● Mr Yitzhak Shamir, the Israeli Foreign Minister, left the French Government in no doubt yesterday of his personal hostility to the Jordanian-PLO accord, writes Paul Betts from Paris.

Mr Shamir, who saw President François Mitterrand yesterday afternoon, said Israel was not mentioned in the Jordanian-PLO agreement and was therefore not concerned by it. In contrast, the French Government believes the agreement

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Credit harder to raise, Page 3; Israel may abandon fighter project, Page 5

Baldrige calls for repeal of anti-trust rule

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

MR MALCOLM BALDRIGE, the U.S. Commerce Secretary, has proposed the repeal of a major section of U.S. anti-trust law to make it easier for American companies to confront foreign competition.

The proposal, sent to the Office of Management and Budget on Friday, should greatly reduce uncertainty over whether the Government would approve proposed mergers, Mr Baldrige said yesterday. It would enable companies in troubled industries such as steel to merge in order to phase out antiquated plants and consolidate production in more efficient ones.

Mr Baldrige gave e warning that if U.S. companies were not allowed to merge to increase their efficiency, "what you are going to see is an increase in protectionist sentiment."

At issue is Section 7 of the Clayton Act, which prohibits mergers where the effect "may be to substantially lessen competition or tend to create a monopoly." Such restrictions placed "unnecessary costs on our businesses and unnecessary impediments" to competition in an expanding world market, be said.

Repeal of Section 7 would still leave in effect the Sherman anti-trust Act, which prohibits restraints on trade, price-fixing, dividing up of markets or monopoly conditions. It would also leave standing Federal Trade Commission rules against unfair competition.

The big difference, Mr Baldrige said, was that without Section 7 of the Clayton Act, e merger would have to be proved to be in restraint of trade. Companies would not be held back from merging by language such as "may" and "tend to."

Rather than stopping mergers in advance, he said, his proposal would create a climate in which companies "would have to sin first" before being punished.

Mr Baldrige's proposal now faces a full review inside the Administration and would have to be approved by Congress. Pressing the case for repeal, Mr Baldrige said that trading conditions had changed dramatically since the Clayton Act, first passed in 1914, was updated in 1950.

Then, Mr Baldrige said, the U.S. was the world's strongest industrial power and considerations of the domestic market were paramount. Now, the U.S. was faced with intense world competition, both overseas and in its home markets, where 75 per cent of the products sold by U.S. companies were subject to competition from abroad.

Tokyo telecom talks postponed by U.S.

BY JUREK MARTIN IN TOKYO

THE U.S. has called off talks, due to start in Tokyo today, on American access to a more liberalised Japanese telecommunications market.

Mr Malcolm Baldrige, the U.S. Commerce Secretary, said in Washington that he had postponed the talks until the Japanese were more ready to discuss "specifics."

He said it was clear that the Japanese were so far only ready to discuss the issue in a theoretical fashion.

An American official in Tokyo was quoted as saying that the gap between the two sides was still "too wide" after last week's exchanges in Washington with the Japanese Ministry of Posts and Telecommunications (MPT).

The U.S. has attached particular importance to telecommunications in its present round of multifaceted trade negotiations with Japan. The two sides are bound to reconvene discussions soon, and it is thought likely that the U.S. action in postponing this week's session is designed to increase general pressure on Japan.

Washington also seems to have concluded that this week's talks would have served little purpose because Japan has yet to divulge details of one key document – the legislation that the MPT is now drawing up on a new telecommunications regime which is due to be in place by April 1.

Last week the MPT said it would [illegible] of the proposed bill early next month. Two weeks ago, Mr Bill Brock, the U.S. Trade Representative, complained in Tokyo that it was unreasonable that the substance of such important legislation remained secret only weeks before it was due to become law.

On April 1, the present state monopoly, Nippon Telegraph and Tele-

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Japan moves to bolster R & D, Page 5

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Spain and France scour globe for somewhere to send Eta exiles

THE DEPORTATION at the weekend of two Spanish Basques from France to the Cape Verde Islands brings to 30 the number who in just over a year have been despatched to far corners of the globe in an effort to break up the French "sanctuary" of the terrorist organisation, Eta, writes David White.

The arrangement with Cape Verde, where the two men, Sr Tomas Linaza and Sr Enrique Kuneta, will have their board and lodging paid by the Spanish Interior Ministry, comes after increasing difficulties in finding host countries prepared to take Eta members.

The expulsions took place during a visit to Spain by Sr Pedro Pires, the Cape Verde Prime Minister, to discuss economic co-operation. But both he and Sr Felipe Gonzalez, the Spanish Premier, firmly denied that there was any trade-off.

Cape Verde has agreed to accommodate up to eight Eta deportees, as the latest step in a policy which France started in January last year.

Following heavy pressure from Madrid to act against Eta commandos using France as a base, the French authorities sent 24 Spanish Basques to the Caribbean region—Cuba, Venezuela and Panama—culminating with Eta's second in command, Sr Eugenio Etxebeste ("Antxon"), who was packed off to the Dominican Republic in July.

Since then, however, there has been no queue of willing hosts. France had to use its African influence to persuade Togo to take four deportees last September. This was at the same time as it sent three alleged terrorist killers back to Spain for trial. Following a similar move by Belgium against two Eta members, they were the first extraditions to be granted by France and have not been repeated.

Deportations have caused fewer repercussions in France and in recent months Paris has pressed the Spanish Government to look for new openings. Apart from Cape Verde, negotiations have also been held with Ecuador and Peru.

The expulsions are clearly more effective in combating terrorist activity than the standard French measures confining suspects to other parts of France, and form part of a significant increase in Franco-Spanish co-operation in the issue.

French arrests in recent weeks have included four top members of Eta, among them one of its military chiefs, Sr Juan Lorenzo Lasa Mitxelena ("Txikierdi"). The crackdown on both sides of the border, which goes hand-in-hand with Spain's offer of "reinsertion" for Eta militants who lay down arms, is considered to have brought considerable pressure on Eta's organisation and finances.

Last week, Eta killed Sr Ricardo Tejero, a senior Madrid banker, in what is believed to have been an attempted kidnap for ransom. The murder came after a month's lull in Basque violence. On Saturday, the organisation released Sr Angel Urteaga, a Basque industrialist, after holding him for five weeks. The family is reported to have paid a ransom of Pta 150m (£757,000).

Setback for Ireland's offshore oil hopes

By Brendan Keenan in Dublin

IRISH hopes of early production from the oil field found off the coast in 1983 received a setback yesterday. Chevron, the operator, is now expected to conduct seismic studies to discover whether the field is worth developing rather than drill another well.

Two wells which were drilled after the successful initial flow of 10,000 barrels a day (b/d) have proved disappointing and it will take an estimated six months at least to conduct the seismic tests and analyse the results.

The decision follows the postponement of the closure-date for Ireland's third licensing round, amid reports that applications have been disappointing. The respected Irish Offshore Review newsletter reported that Chevron would not be a bidder in the third round, despite the fact that it would appear to have had the best results in Irish offshore waters to date.

One gas field has been producing for some years but no commercial oil field has yet been located.

Arguments over the Irish Government's attitude towards marginal fields lie at the heart of the problems with the third round. The Government can demand up to 50 per cent participation in a find, with the operator carrying the development costs. Many companies feel this would make a small field uneconomic.

It is understood that the authorities made it clear to Chevron in talks last week with Mr John Silcox, president of Chevron Overseas Petroleum, that they would reduce the participation appropriately when the size of the field is known. They were unwilling, however, to accede to the consortium's view that the conditions should be laid down in advance, it is said.

The Government fears that an accumulation of small reservoirs could add up to a sizeable discovery but that the Exchequer would then lose out on potential revenue.

Mobil to close refinery at Wilhelmshaven

MOBIL OIL AG, a wholly owned subsidiary of the Mobil Corporation, is to close its Wilhelmshaven refinery in West Germany at the end of next month, Reuter reports from Hamburg. The plant will not be dismantled, however, in ease the market situation changes.

The refinery has not operated profitably, said a company spokesman, adding that it was built for an annual capacity of 8m tonnes while actual throughput amounted to less than 4m.

New party formed in Portugal

By Diana Smith in Lisbon

SOME 300 supporters of Portugal's President Antonio Ramalho Eanes have formally named a new party *that is destined to promote* the image of the Chief of State.

The new movement is to be called the Democratic Renewal Party (PRD). It groups a heterogeneous collection of military officers who sat with the President on the now disbanded revolutionary council; dissidents from the Socialist, Social Democrat and Christian Democrat parties; local authorities: small businessmen and landowners and professional people.

The party claims it will alter politics in Portugal and provide new, democratic answers for the country's political and economic crises.

This is a presidential and local election year, and the appearance of an Eanist party has been interpreted frequeotly as a sign that the President, who has been in office for nine years during two terms, intends to force the hand of the Christian parties, dissolve parliament and call a snap general election in which be would expect his supporters to win.

There is a hitch however: Gen Eanes cannot stand for a third term of office and is unlikely to present himself as a candidate for Prime Minister. His party therefore will have to find a surrogate candidate who could convey the general's image *to sceptical voters.*

Delors warning to Community

GHENT – M Jacques Delors, President of the European Commission, urged Europe yesterday to seize opportunities presented by the "third industrial revolution."

He warned, however, that the Community, now faced with record 13.6m unemployed must avoid a widening gap between workers in new industries and those "who might be unfairly relegated to the position of embittered has-beens by the onward march of technical progress."

M Delors was speaking on the opening day of Flanders Technology International. Reuter

Farm ministers wrestle with EEC wine curbs

BY IVO DAWNAY IN BRUSSELS

FARM MINISTERS of the European Community were last night preparing to negotiate into the early hours of the morning in the latest effort to agree complex rules of restraining wine production.

The talks centre on agreeing the fine detail of a programme to cut the Community's 8bn litre annual surplus, now costing more than Ecu 1.2bn yearly. An outline of the plan was first approved by heads of government at the Dublin summit in December. But, since then, hours of committee meetings have failed to reconcile outstanding wrangles over how to make the restraint scheme effective.

Sig Filippo Maria Pandolfi, the Italian Minister and current chairman of the Farm Council, told his colleagues yesterday that he is seeking final agreement during this two-day meeting.

But there remains doubts as to whether Italy is able to give sufficient undertakings on enforcement of the rules to satisfy the fears of France. A number of subsidiary issues also remain.

French officials earlier this month presented a package of policing proposals that included recourse to punitive legal action against grape growers failing to presentaccurate statistics. However, their Italian counterparts indicated that these were unrealistic in Italy, where statistical and administrative problems are legion.

The wine issue is only one of a number of formidable items on the farm ministers' agenda. A serious struggle is also expected in the effort to agree on changes to the "superlevy," which aims to rein in surplus milk output.

Failure by ministers to accept a compromise package of milk proposals tabled last month by Mr Frans Andriessen, the Farm Commissioner, could lead to their withdrawal. Furthermore, if the ministers consequently do not pay the levy by the March 5 deadline, the Commission may withdraw some dairy financial support, thereby again raising the tension prior to next month's crucial farm price talks.

Mr Treholt: thirteen months in jail awaiting trial

Gromyko in Rome to press case against Star Wars

BY JAMES BUXTON IN ROME

MR ANDREI GROMYKO, the Soviet Foreign Minister arrived here yesterday for three days of talks during which he is expected to press Italy to distance itself from the U.S. over the Star Wars strategic defence initiative.

The visit, Mr Gromyko's first to Italy for six years, follows a long series of attacks by Moscow on Italy's acceptance of cruise missiles in line with Nato's intermediate nuclear forces programme.

Italy has indicated for the past 18 months that it would like to help bridge the gap between the superpowers. But such a role is rather less valuable now that arms talks are about to start in Geneva.

The Italian Government has said little about the strategic defence initiative in public. Sig Bettino Craxi, the Prime Minister, remarked last Friday after meeting Chancellor Helmut Kohl of West Germany that it was a programme "that must be studied without prejudice and without excessive distrust." Sig Giulio Andreotti, the Foreign Minister, said it "contains aspects which are positive and worthy of serious study."

The Soviet party includes Mr Nikolai Komarov, the Deputy Prime Minister for Foreign Trade. Last year Italy had a trade deficit of L4,300bn (£1.9bn) with the Soviet Union, thanks to increased gas purchases and Soviet reluctance to sign new contracts with Italian companies.

This is partly because Italy finds it difficult to put forward sufficiently attractive financing terms. The Soviet Union has said it is "pausing for reflection" on the question of the contracts.

Mr Gromkyo will also see Pope John Paul tomorrow.

Technology transfer threat to space base

By Peter Marsh

OFFICIALS AT the European Space Agency (ESA) have identified transfer of technology as the main possible stumbling block in the negotiations between the U.S. and Western Europe over collaboration in the international space-station project.

The officials believe that restrictions that the U.S. Government imposes, primarily for military reasons, on the flow of technical ideas to Europe could impede co-operation in the joint effort to construct the manned orbiting base by the early 1990s.

Professor Reimar Lüst, ESA's director-general, is to meet Mr James Beggs, the U.S. Government's top space official, in Washington next week when transfer of technology will be high on the agenda.

The 11-nation ESA decided last month to seek collaboration on the space station's design. The orbiting base, for civilian uses only, is due to be built by a group of Western countries including the ESA nations, Canada and Japan but would be under U.S. overall control.

It will house laboratories, for example, for work in low-gravity materials processing, and instruments to monitor crop growth and minerals deposits.

The ESA is talking to the U.S. National Aeronautics and Space Administration, which Mr Beggs heads, on two separate agreements concerning the space station.

The first, which should be signed in March or April, concerns the approach to the design studies, which are due to take two years. It would set out basic procedures for exchange of information during this phase.

The Agency's part in this work is to devise plans for Columbus, a set of laboratory modules that would plug into the main U.S. core of the orbiting structure. Columbus could cost roughly one-fifth of the $10bn or so needed to develop the space station.

Discussions on the second agreement will be wider and more complex. It would not be signed before 1987, by which time Western Europe would have to commit itself firmly to building the station.

This agreement would establish principles in three important areas: technical assistance by the U.S. to enable Western Europe to play a full role in construction; the use that European countries could make of the station; and how much of the bill for operating and maintaining the base Europe would have to pay.

The first could pose difficulties as the U.S. Government, urged on by the Department of Defence, has in recent years imposed clamps on the flow of technical ideas from the U.S. to Western Europe.

One U.S. fear is that American - developed technologies, in compnters or electronics for instance, could "leak" via Western Europe to the Soviet Union, which could use such techniques in military projects.

The ESA believes that the U.S. should be prepared to assist West European nations *in such areas as part of the* overall collaboration. Some members, France in particular, may not be prepared to carry on unless they are satisfied by the provisions for technology transfer.

ESA member countries are anxious that the second agreement provides a legally-binding procedure to tie Western Europe and the U.S. on both the building and application of the space station.

As a result, while tha first accord on the design phase will be a simple memorandum of understanding between Nasa and ESA, the second would probably take the form of separate treaties between the U.S. and all 11 ESA countries, which the U.S. Senate would have to ratify.

Berlin chosen for butter 'study'

BY OUR BRUSSELS STAFF

WEST BERLINERS, among the most affluent, overweight and cholesterol-conscious citizenry of the EEC, are to be the beneficiaries of a 900-tonne windfall of free Community butter — whether they like it or not.

The hand-out, announced yesterday by the European Commission, is the latest and most imaginative ploy so far in Brussels' unending struggle to reduce the 1m-tonne butter mountain.

Managers of the dairy sector are constantly in fear of being accused of disturbing either world or internal markets in their efforts to dispose of the butter surplus.

To dodge the critics, the Berlin butter beano is being presented as a "study." The research involves handing out to consumers two 250-gramme packets of butter for the price of one, then seeing if consumers eat more.

By so doing, the Commission hopes it will be able to analyse whether cutting prices by half increases sales. Berlin was chosen as a suitable location for the experiment as its relative isolation should prevent an influx of outsiders buying for their deep-freezes.

But as the study — price Ecu 1.2m (£720,000) including advertising—is limited to a six-week period from April to the end of June, there seems little provision for preventing thrifty Berliners hoarding stocks, and thus distorting the picture.

Perhaps this factor can be *discounted by the independent* team of economists whose findings on the experiment will be presented before September. However, this is unlikely to satisfy the margarine lobby whose tempers have already been frayed by the EEC's sales of 40,000 tonnes of cut-price "Christmas" butter in January.

If the Berlin research is successful, it will finally lay to rest the annual row over whether the Christmas butter hand-out does or does not increase consumption. If it does not, then at least a small 900-tonne knob, dollop, or perhaps knoll, of the mountain will have disappeared.

That will make a little extra space for the 150,000-odd extra tonnes expected to enter Community stores this year, according *to estimates by Unilever,* the Anglo-Dutch food group.

Brussels seeks to ease lot of migrant workers

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission has stepped into the sensitive and highly charged area of migration policy with a series of proposals for improving the conditions of the 12m migrant population in the EEC.

"One of our primary purposes is to combat the overtly xenophobic, and indeed racist, reaction to the problem of immigration," said Mr Peter Sutherland, the Irish commissioner for social affairs.

In his first social policy initiative since taking up his post in January, Mr Sutherland has sent a communication on the topic to the council of ministers and promised that it would not be allowed to gather dust on the shelf of lost Commission proposals.

"We are relaunching a discussion last initiated by the Commission in 1974 with an action programme," he said. A programme was adopted in 1976 and followed up with directives in 1977.

Specific areas where the Commission sees scope for action include:

● Rationalisation of the periods of residence permitted migrant workers and their rights to work permits;

● recognition of the professional qualifications of migrant workers throughout the EEC;

● tighter supervision of existing migrant worker legislation to ensure that, for example, the 1977 directive, obliging the Ten to peovide educational facilities helping adaptation to a new society while maintaining traditional cutultural valnes, is fully observed;

● updating of social security legislation;

● securing political rights for migrants, not least the ability to vote and stand for office.

"The objective of the Community must be to bring about total freedom of movement," Mr Sutherland said.

The Commission move comes at a time when migrant workers have generally been less welcome in the EEC than in the 1960s and early 1970s when rapid economic expansion led to the need for more labour.

Europeans 'must act together' on rising dollar

PARIS — European countries must act together to speed up growth in response to the rise of the dollar, M Pierre Beregovoy, the French Finance Minister said yesterday. "A great deal depends on the Europeans," he said. "They must respond to the challenge posed by the dollar by reinforcing the role of the European Currency Unit (Ecu) and acting together to accelerate the European recovery."

He also warned that the dollar's record strength could lead to protectionism unless the U.S. redneed its deficits.

In an interview with the Paris paper Tribune de l'Economie, he said: "It is completely irresponsible of the United States to make the rest of the world, especially Europe and developing countries, bear the increasingly heavy burden of their hudget and balance of payments deficits."

"If tha U.S. does not put its accounts in order, there will he a danger of a return to certain forms of protectionism, and that will benefit no one." Reuter

Norwegian diplomat on spy charges

By Fay Gjester in Oslo

A FORMER Norwegian politician and diplomat, Mr Arne Treholt (43), yesterday pleaded *not guilty* to charges of espionage on behalf of both the Soviet Union and Iraq.

At the opening day of his trial here, Mr Treholt shook his head repeatedly as the judge read out the 14 page indictment, which alleges that he gave agents of both countries information likely to damage Norway's security.

Looking fit and confident after 13 months imprisonment awaiting trial, Mr Treholt later assured the court that he had never "on any occasion" revealed secrets likely to injure national security.

It is alleged that Mr Treholt passed sensitive information on a wide range of foreign policy and military matters, between 1974 and his arrest in January 1984, when he was detained on leaving Oslo allegedly to meet a senior KGB official in Vienna.

When arrested, it is claimed, his briefcase contained 66 classified documents which the prosecution said he planned to give to his Soviet contact.

The prosecution also claims that Mr Treholt was formally recruited by the Soviet Union, in the late 1960s or early 1970s, that he received "money and/or other benefits" for his services to both Moscow and Iraq, and that most of the information he passed on was obtained in the course of his duties.

Military secrets he is alleged to have revealed include details about Norway'e northern defences and the role of nnclear weapons in Nato's defence planning.

Mr Treholt, the son of a Minister of Agriculture in a former Labour Government, has been close to the Labour Left since his student days.

After a stint as a journalist on the Oslo Labour Party newspaper, Arbeiderbladet, he moved into politics during the 1970s, becoming first political secretary, then deputy to Mr Jens Evensen, who was Minister of Trade and later Minister for Law of the Sea affairs.

When Mr Evensen retired from active politics, Mr Treholt moved to a job with the Foreign Ministry.

Union concern in Hungary as retraining scheme lags

BY DAVID BUCHAN

A SENIOR trade union official has publicly admitted that structural change in the Hungarian economy, as measured by the amount of money spent on retraining workers in new jobs, *is proceeding too slowly.*

Some 5,000 workers were made redondant last year, according to Mr Laszlo Gal, deputy head of the national council of trade unions. Bnt only 5 per cent of the Forints 200m (£3.5m) earmarked for retraining last year was actually spent.

Mr Gal added that redundancies were a normal feature of technological progress.

Official mention of even temporary redundancies is unusual in Eastern Europe, where full employment is an article of ideological faith, and Mr Gal's comments are a measure of the deep change the Budapest authorities want to make in the Hungarian labour market.

According to Mr Gal, the unions dislike the sharp price rises introduced earlier this month, but accept Government arguments about their necessity.

Price increases of 18 to 30 per cent in fuel, 10 to 30 per cent in some foods, and 55 to 60 per cent in urban transport are expected to push the cost of living up by 7 per cent this year. Wage rises and special pension and child allowance payments will offset much of the impact, however.

Danish unions warn of widespread pay strikes

BY HILARY BARNES IN COPENHAGEN

DANISH MANUFACTURING industry, the power ntilities and the oil and petrol distribution system will be paralysed by strikes from March 4 unless progress is made over the next few days in the collective wage bargaining between the union and employers' organisations. Both sides are gloomy about the chances of agreement.

The unions have issued strike warnings for 250,000 of the 280,000 workers — employed under collective agreements with the employers' association.

According to the unions the employers' offer amounts to 2 per cent. They want reductions in the working week and general wage increases, with more for the lowest-paid.

● Denmark recorded a provisional foreign trade deficit in January of DKr 1.28bn (£99m), almost double that for the same month last year.

Strauss under arms fire

THE RIGHT-WING Bavarian leader, Herr Franz Josef Strauss, came under fire yesterday for proposing that West Germany should sell arms to the Middle East, Reuter reports from Bonn.

The opposition Social Democrats and the official German-Israeli Friendship Society condemned his remarks, made in an interview in Bild newspaper.

Herr Strauss, leader of the Christian Social Union in Chancellor Helmut Kohl's coalition, arrives in Israel on an official visit today. In the interview he supported the sale of West German Leopard tanks to Saudi Arabia.

Tackling the Cyprus problem with diplomacy and a little influence

Andriana Ierodiaconou reports on mounting pressure for renewed talks in March

THE CYPRUS diplomatic ball is about to be set rolling again, following the return of United Nations Secretary General Sr Javier Perez de Cuellar to New York this week after a month-long official tour abroad.

Sr de Cuellar will be trying to bring Cyprus president Mr Spyros Kyprianou and Turkish Cypriot leader Mr Rauf Denktash together again for a repeat attempt at reaching a settlement to reunify the island.

The two men failed to agree on a draft settlement during a meeting in New York in January. The Secretary General has set a March target date for the next meeting. If this is to be met, Mr Denktash must be persuaded to abandon the condition that he cannot meet Mr Kyprianou before holding June elections to renew his mandate in the occupied north.

Northern Cyprus has been occupied since 1974 when Turkish troops were sent in after a Greek junta coup against the Government of Archbishop Makarios.

The UN is presumed to be relying on U.S. behind-the-scenes influence on Mr Denktash. The U.S. has supported UN peace efforts for Cyprus in the interest of getting increased military aid levels for Turkey passed by Congress and reducing tensions between Greece and Turkey in the North Atlantic Treaty Organisation.

American intervention last November induced Mr Denktash to give up a demand for a rotating presidency and to come up with his most generous territorial offer to date, according to which about one-fifth of the 37 per cent of Cyprus held by Turkish troops would be returned to the Greek Cypriots.

These concessions made the January meeting possible and it is now hoped that similar influence will bring about a second meeting with Mr Kyprianou in the next few weeks.

Britain, which has two military bases in Cyprus under the 1960 independence agreement of which it is a guarantor, is also understood to be playing a supporting backstage role.

Within his own community, Mr Denktash is being pressed for a settlement by the left-wing Communal Liberation Party and the Republican Turkish Party, which account for about 45 per cent of the vote.

Left-wing leaders report strong disappointment among the Turkish Cypriot public following the January failure. A key incentive for a settlement appears to be the desire to catch up economically with the Greek Cypriots, whose £4,200 annual per capita income contrasts sharply with the £934 annual income in the north.

Hopes that tourism and trade would improve after the unilateral declaration of an independent state in the north have not been borne out — international recognition has failed to materialise, with the exception of Turkey. The north is obliged to continue to rely heavily on about $30m (£28m) in annual economic aid from Ankara.

Left-wing leaders, however, say they wield little real political power. This, they say, lies firmly in the hands of Mr Denktash and his National Unity Party, which takes an uncompromising view on giving up statehood and going back to life with the Greek Cypriots, and will remain there as long as the Turkish Cypriot leader enjoys the support of Ankara. Conversely, they agree with foreign diplomats in Nicosia that Ankara is the key for influencing Mr Denktash towards a settlement.

The UN is keeping its eyes fixed on the next meeting. The key concern, UN officials say, is to pin down both the procedure and the substance in order to avoid a repeat of the January failure.

In the south meanwhile, Mr Kyprianou has been locked in a grim battle for political survival since his return from New York.

The Cypriot president is being challenged by the two main opposition parties — the pro-American DYSY, led by Mr Glafkof Clerides, in unlikely but effective alliance with the pro-Moscow Communist Akel group. The two parties share approximately 65 per cent of the Greek Cypriot vote.

The Soviet Union has also been supporting the UN peace initiative. Moscow is interested in preserving a non-aligned state in Cyprus and preventing the partition of the island between two Nato countries, Greece and Turkey.

Mr Clerides and Akel both argue that at the January meeting Mr Kyprianou should have signed, as Mr Denktash asked, a preliminary agreement text laying down a bi-zonal, federal republic as the general framework for a Cyprus settlement, leaving the details to be agreed by joint working groups.

Mr Kyprianou's position was that working groups should take over only after he and Mr Denktash had negotiated key blanks in the text on four major issues: the timetable for Turkish troop withdrawal, the guarantees for the future federal state, the right of free movement, settlement and property ownership within the state, and the precise areas of the occupied territory to be handed back to the Greek Cypriots.

Mr Kyprianou said in an interview that a future meeting must lead to agreement at high level "on at least some of these issues."

The Cypriot president dissolved a coalition with Akel before going to New York. On his return he offered to form an alliance with Mr Clerides, but was turned down.

Mr Kyprianou appears determined, however, to hold out against calls by Mr Clerides for new presidential elections on the grounds that he is now heading a minority government. Under Cyprus' presidential system of government, Mr Kyprianou's mandate strictly speaking rests on the 56 per cent majority which won him a five-year term in office in 1983. His Democratic Party won about 19.5 per cent of the vote in legislative elections in 1981.

Mr Kyprianou has also been helped by the Greek Government's approval of his handling of the New York talks. He has also benefited from a strong statement of support issued by the Greek Cypriot Church, which views are still lent political weight by the Makarios line.

The UN, meanwhile, is fixing its eyes on the next meeting, on the working assumption that Mr Kyprianou and Mr Denktash will be the chief protagonists. The key concern, UN officials say, is to pin down "both the procedure and substance" in order to avoid a repeat of the January failure. However, it remains to be seen whether, having set the ball rolling, Sr de Cuellar can help the Greek and Turkish Cypriots keep it moving.

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Singapore in bid to bring more people into political process

BY CHRIS SHERWELL IN SINGAPORE

THE SINGAPORE Government, responding to its electoral setback last December, last night confirmed plans to devolve control of the country's large new housing estates on newly-created local councils. The move is part of a wider effort to encourage political participation by the island state's 2.5m people.

It was announced by President Devan Nair at the opening of the new parliamentary session.

The President, who also revealed plans for vastly-increased home ownership and special help for working mothers and the aged, said the Government was targeting economic growth of 5 to 7 per cent over the next five years—lower than in the past.

Immediate attention this session is focused on the budget for the fiscal year beginning in April. This will be announced next Friday and will follow a rash of gloomy economic news.

Companies are going bankrupt at a faster rate than ever, and announcing sharply-increasing lay-offs. Retailers and hoteliers are battling for business. Both the property market and stock market are on their knees.

According to a recent survey of business expectations, more companies are now predicting a deterioration rather than an improvement in business—the first time this has happened since the third quarter of 1982.

Businessmen are appealing loudly for help in the budget, especially to cut labour costs through a reduction in employment taxes and wage awards.

Last week, even Mr Lee Kuan Yew, the Prime Minister, described business as "poor," and called the mood "sombre".

Fourth-quarter 1984 growth, though at a healthy 5.5 per cent annual rate, was little more than half the exceptional first quarter rate, and at the weekend, Mr Lee warned that the economy was maturing and would inevitably slow down, posing difficult choices.

Beyond the budget, parliament will be the focus of attention for explicitly political reasons.

For the first time since 1968, there will be more than one dissenting voice in the Chamber, because Singapore's voters elected two opposition MPs in the December 22 election. A third may also take up a new "non-constituency" seat.

Lee Kwan Yew . . . business mood is sombre

Mr Chiam See Tong, of the Singapore Democratic Party, will join Mr Ben Jeyaretnam of the Workers' Party, who has ploughed a lonely furrow as the solo opposition MP for three years since winning a by-election in 1981.

All eyes are on them to see how they use their position—and how the Government responds.

Some reforms have already been mooted by ministers. Apart from the town council idea, Mr Goh Chok Tong, the new First Deputy Prime Minister and the man now positioned to succeed Mr Lee, has talked of creating a Government unit to hear people's ideas, petitions and complaints.

The proposal reflects the ruling People's Action Party's shocked realisation that its old system of committees let it down in December.

Similarly, Dr Tony Tan, who is Minister of Education and Finance, has promised a review both of the politically disastrous policy of giving children of graduate mothers priority in choice of schools, and of the disliked system of streaming.

Last night, the President's speech, however, promised only "equal opportunities" in education.

All these developments coincide with the much-vaunted emergence of Singapore's "second generation" leaders—bright young men recruited in the 1970s and 1980s by the "old guard" of the People's Action Party to take over decision-making.

Thai Government approves belt-tightening budget

BY BOONSONG K'THANA IN BANGKOK

THE THAI Government yesterday approved a belt-tightening budget of Baht 218bn (£7.2bn) for the next fiscal year ending September 30, 1986.

The budget, representing a marginal increase of 2.4 per cent over the current budget, was endorsed yesterday by the Council of Economic Ministers, headed by the Prime Minister Gen Prem Tinsulanonda.

Mr Sommai Hoontrakul, the Finace Minister, said a tighter budget was necessary, since the Government's ability to collect revenue was limited, but that the inflation rate would be low.

Revenue collection next fiscal year is estimated at Baht 183bn resulting in an expected budget deficit of Baht 35bn (£1.16bn).

Mr Sommai stated that budget allocations for government programmes would be the same as 1985, but the obvious increase in allocation will be for foreign debt repaymants estimated at Baht 51bn—roughly Baht 7bn higher than in the current fiscal year.

Voter turnout gives fillip to Zia in Pakistan poll

BY OUR FOREIGN STAFF IN ISLAMABAD AND LONDON

EARLY indications of voter turnout yesterday in Pakistan's elections for a new National Assembly gave a fillip of support to President Zia ul-Haq's call for an endorsement of his policies.

In the country's first parliamentary poll in eight years turnout in the urban areas was estimated at between 10 and 20 per cent, while the rural areas saw a swell of voters amounting to a turnout of possibly more than 40 per cent.

President Zia has said that he would regard a voter turnout of more than 40 per cent as a sign of support for his Government.

The elections were held with nearly all opposition leaders in detention and political parties barried from putting up candidates.

This made the size of the vote particularly important for the President, who has presented the elections as the first steps towards a relaxation of military rule.

Reports reaching London quote President Zia as saying that proposed changes in the constitution would be announced in a few days.

He is reported to have said that martial law would remain in force for a minimum necessary period after the elections and "it is not a question of a year or years but only of months."

Despite calls from the Movement for the Restoration of Democracy, the opposition alliance, for Pakistanis to abstain from voting, the reportedly high voter turnout in the rural areas reflects the greater importance given to local issues in these largely illiterate areas.

The election involved voting for candidates whose future powers have not yet been decided. President Zia said proposed amendments to the constitution were not disclosed before the elections so as to ensure that the country's attention was not diverted from the election campaign.

● Election violence was scattered and relatively light compared with incidents in earlier elections, although three people were killed and several others injured.

Queensland power row drags on

BY MICHAEL THOMPSON-NOEL IN BRISBANE

THE QUEENSLAND power dispute, which has cost industry an estimated A$1bn (£650m), was still in an uneasy state of truce yesterday, with the state government pressing its case for anti-strike legislation as the price for reinstating 920 sacked eletricity workers.

Sir Joh Bjelke-Petersen, Queensland's premiar, says the sacked workers will be re-employed on the basis of a 38-hour week, a 10-day fortnight, and an agreement not to strike, against a nine-day fortnight and 36½-hour week previously.

The current state of emergency in Queensland will not be lifted until "things are properly settled," he added.

Power has been restored in Queensland, but some workers—including coal miners, seamen and dockers—are still out in protest.

The dispute started when Sir Joh's National Party state government attempted to hire non-union workers in the electricity industry.

So far, Mr Bob Hawke's federal Labor Government in Canberra has avoided a potentially damaging showdown

Israel 'finds credit harder to raise'

By David Lennon in Tel Aviv

ISRAEL IS experiencing increasing difficulty in obtaining credit overseas, Mr Bino Zadik, general manager of the First International Bank of Israel, said in the bank's annual report for 1984.

"Israel and the banking network," Mr Zadik declared, "have problems obtaining credit lines overseas. We are continuing to receive credit, but for shorter periods and smaller sums than hitherto."

First International, the country's fifth-ranking bank, had no difficulty in obtaining credit, he said, but there were problems for the country's banking system as a whole and the entire credit standing of the country.

● Egypt's President Hosni Mubarak has asked the U.S. Administration to act as host in direct peace talks between Israel and members of a joint Jordanian-Palestinian delegation, according to The New York Times, as reported by AP from New York.

● In Washington, however, a White House official said the U.S. would not take a direct role until Israel and Arab nations agreed to negotiate.

Postponed elections may hit Harare's budget, **Tony Hawkins** reports

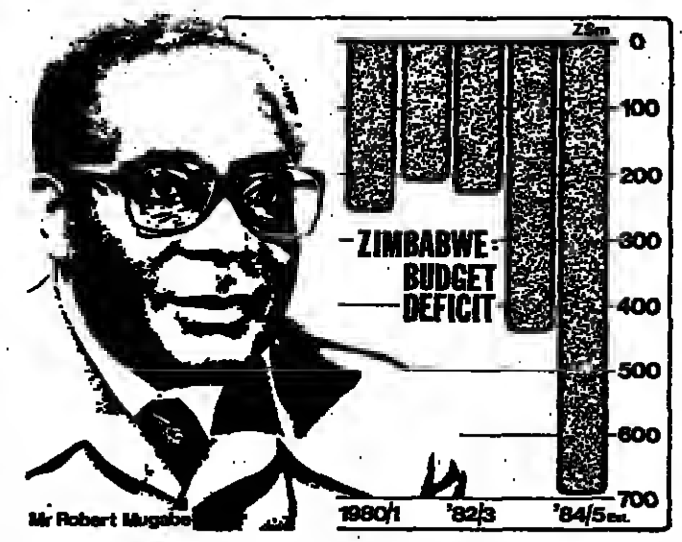
Delay which Mugabe may regret

LAST WEEK'S postponement of Zimbabwe's first post-independence elections from March to June has far-reaching implications for the country's economy.

While the outcome of the elections would seem to be a foregone conclusion — with Prime Minister Robert Mugabe confidently expected to increase his parliamentary representation from 58 of the 100 seats to 65 or more, chiefly at the expense of Mr Joshua Nkomo's Zapu, which has 19 seats—there is concern in business quarters that the postponement could cause delays in reaching important economic decisions.

For a start, the delayed elections will almost certainly mean that the 1985-86 budget, scheduled for late July, will not be presented until August or September. Because Zimbabwe has been negotiating with the International Monetary Fund for a new standby facility and because the fund is anxious to see major reductions in the budget deficit, it could be that these negotiations will be held up too.

Late last month, Dr Bernard Chidzero, the Zimbabwe Finance Minister, tabled additional expenditure estimates in the House of Assembly, taking the 1984-85 budget deficit to a forecast Z$691m (£395m), or about 11 per cent of estimated gross domestic product. Although the Zimbabwe economy is expected to achieve positive real growth of between 3 and 4 per cent this year—after three years of declining GDP — government revenue is unlikely to grow rapidly enough to bring this deficit down without some significant reductions in public spending. Earlier in the year, Mr Mugabe criticised the IMF, which he said had suggested Zimbabwe reduce spending on education which in 1984-85 is estimated at more than 7 per cent of GDP.



Farmers are concerned that the postponement of the elections could delay crop price announcements for 1985 and specifically a decision over the producer price for wheat. Following excellent rains, Zimbabwe is set to produce a bumper grain crop in 1985 after three years of drought, with maize deliveries to the state marketing board being forecast at around 1.6m tonnes as against 940,000 tonnes last year.

But some wheat producers have warned that although adequate water will be available to grow an irrigated winter-wheat crop this year they are reluctant to commit themselves to the crop, which is only marginally profitable at present, unless the Government agrees to an increased price.

This is an important political issue: with the Government under pressure to restrain spending and reduce subisidies, higher producer prices for farmars will have to be passed on to the consumer. Some ministers are unhappy at the prospect of food price rises being announced before the elections, especially as real wages and employment in Zimbabwe have been falling for the last two years.

An issue of major importance to foreign companies is the promised review of last year's temporary ban on dividend and profit remittances by foreign companies. The ban was imposed in March 1984 as part of a programme to stabilise Zimbabwe's external payments.

With exports estimated to have increased more than 20 per cent in 1984, reflecting strong U.S. dollar prices for ferrochrome and tobacco, a doubling of exports of manufactured goods and improved cotton and tobacco volumes, there has been speculation that the Harare authorities would like to ease the dividend remittance ban this year in order to try and stimulate foreign investment. This decision, too, could be delayed.

Move to end Tanzania deadlock with IMF

By Michael Holman

EFFORTS TO resolve the five-year-old deadlock between the International Monetary Fund (IMF) and Tanzania over terms for a proposed loan are due to begin in Dar Es-Salaam this week.

A delegation from the Fund will meet senior Finance and Central Bank officials for the first time since September 1984, when talks held in Washington ended without agreement on two key issues—the size of the devaluation required by the Fund, and a call for further cuts in food and other subsidies.

A 1980 loan programme worth SDR180m (£112m) proved shortlived when Tanzania failed to meet conditions attached to the loan.

Since then, Tanzania has been one of Africa's leading critics of the Fund.

Last June, the Government's budget, which included a 25 per cent devaluation of the Tanzanian shilling and a cut in the subsidy of maize meal (the staple food), and fertiliser, went part of the way towards meeting the Fund's terms, "but not far enough," according to a senior Tanzanian official.

AMERICAN NEWS

Tim Coone reports on the changing political mood of a U.S. ally

Honduras rethinks its priorities

THE SHUDDER of U.S. military helicopters over the Honduran capital is now a familiar daily experience for the city's inhabitants as the next round of joint military manoeuvres, big Pine III, gets under way. These latest manoeuvres, designed to improve Honduran troop performance, to get U.S. troops used to the region and to pressure the Sandinistas to the south, will reach their peak in April with the use of U.S. heavy armour for the first time just a few miles north of the Nicaraguan frontier.

However, all is not going well between the two erstwhile allies. Honduras is in an election year, the economy is facing the most serious foreign exchange crisis in its history and the army is worried about a possible flood of U.S.-backed Nicaraguan guerrillas pouring into the country in the face of an all-out Sandinista offensive to the south.

Added to that, a powerful opposition alliance is beginning to shake the grip that the ruling group of Liberals presently hold over domestic and foreign policy. The new alliance, the Co-ordinadora Oppositora Democratica Constitucionalista (Codeco) is a parliamentary coalition of centre-right National Party leaders, Christian Democrats and left-wing Liberals.

A common denominator has emerged between the otherwise ideologically diverse groups, that Honduras must exert greater independence, especially on foreign policy issues, and that the democratisation process begun in 1980 with the transfer from military to civilian rule must be consolidated.

A National Party leader, Dr Rafael Callejas, a well-known conservative, said: "Although it is called a democracy in Honduras, President Suazo Cordoba has turned it into a totalitarian government." The President's opponents on both right and left complain of his interference in the affairs of the National Party, manipulation of the Liberal Party political machinery, widespread corruption in ministries controlled by his supporters and claim that the Supreme Court is used as just one more tool in the President's political armoury.

Even U.S. embassy officials admit in private to disillusionment with the ruling group of Liberals and their questionable business deals. The Honduran forestry industry, said one, "is the biggest source of Liberal Party patronage in the country."

In the face of increasing isolation, President Suazo Cordoba has already had to pull out support from Sr Carlos Facussé his favoured candidate as his successor in the November election. Sr Facussé is linked to powerful industrial concerns interested in taking advantage of the Reagan-sponsored Caribbean Basin Initiative for Honduras.

The Government will face its first serious challenges in the coming weeks as the Codeco alliance flexes its muscles and takes on the President's group of Liberals in Congress.

According to Sr Jorge Arturo Reina, leader of a left-wing Liberal group in Codeco, moves to improve the electoral law and to change the directorate of Congress will seriously weaken President Cordoba's control, both within Congress and his own party. If Codeco can muster a majority vote in Congress, Sr Reina believes they can do just that. The President would then be obliged to use his veto, which could provoke a constitutional crisis and would certainly bring people on to the streets, according to Sr Reina.

The challenge has worried the ruling Liberals, to the extent that a crude smear campaign is now under way to link Codeco with an unsubstantiated document calling for a military coup against the President. Codeco's leaders, on the contrary, are totally opposed to military involvement in the democratic process and the army itself, under the leadership of General Walter Lopez, seems content to take a back seat as the political parties battle for power.

Of greater concern to the military is the fear that the Nicaraguan contras may face military defeat in Nicaragua and flood back into Honduras. The contra force of the FDN, at an estimated 10,000 to 12,000, are almost as big as the Honduran armed forces, and its leadership was closely linked to the Honduran military strongman General Gustavo Alvarez, who was deposed by General Lopez last March.

On the economic front, debt service payments this year are scheduled at between $400m and $500m (£373m to £467m), over half of all foreign exchange earnings. The $400m balance of payments deficit on current account is kept going almost entirely by U.S. aid, according to a senior ministerial aide in the Economy Ministry.

In return for continuing economic aid, however, the U.S. is now pressing for a devaluation of the currency, which in an election year has been ruled out by the Government.

Mr John Negroponte, the U.S. Ambassador to Honduras, said: "The U.S. is responsive to Honduras' needs and the talks are going ahead. But we also have to consider Congress and public opinion at home." Economic support funds of $148m are being held up until the Honduran Government obliges with the desired economic adjustments.

Ostensibly, the talks between Honduras and the U.S. are over the renegotiation of a 1954 military treaty. However, it appears that the issue at the heart of the blocked negotiations is that of the contras.

A U.S. embassy official admitted that, although, officially not part of the talks, "the contras are an underlying concern for the Hondurans." It is virtually the only negotiating lever the Hondurans have, given that the Reagan Administration views the contras as a crucial factor in bending the Sandinistas to Washington's will, and given Honduras' key role as the supply route to the guerrillas.

Dr Paz Barnica, the Honduran Foreign Minister, said the contras "must respect the laws of the country or else be sanctioned."

One high level military officer said: "We have to recognise that the Sandinistas have consolidated themselves in Nicaragua and we are not going to be able to change that. It is the U.S.'s problem now."

Whether Honduras can sustain this trend will now depend on its ability to convince the U.S. that failure to provide sufficient economic aid will lead to an explosion of social tensions in Honduras. The final deal, however, may be to net the U.S. foreign policy line in exchange for U.S.-financed domestic solvency, but it could spell the political end for the present ruling group of Liberals.

Surinam faces uphill struggle on economy

By Andrew Whitley in Rio de Janeiro

COLONEL DESI BOUTERSE, the military leader of Surinam, yesterday celebrated the fifth anniversary of the coup which brought a small band of disaffected army sergeants to power in the former Dutch colony.

More firmly entrenched in power than at any time over the past five troubled years, Col Bouterse nevertheless faces a growing economic crisis resulting from the cut off in December 1982 of Dutch economic aid.

Aid worth Fl 3.8bn (£930m) over a 10-year period was cut off following the killing of 15 prominent civilian opponents of the military government.

Since then, Col Bouterse has given priority to getting the aid restored, a move the Hague continues to resist on the grounds that Surinam has not made sufficient progress back towards democratic rule.

One side of economic difficulties in a country traditionally accustomed to a high standard of living was the sudden and violent expulsion last month of up to 5,000 illegal Guyanese working in Surinam. The expulsion is expected to hit the large rice farms which are a backbone of the domestic economy and were heavily dependent on Guyanese labour.

Brazilian influence has been predominant in Surinam following the visit of General Danilo Venturini, Head of the Brazilian National Security Council, in April 1983, and the subsequent expulsion of a large contingent of Cuban military advisers in October that year.

Brazilia military advisers are now working with the small Surinamese army and navy.

However, Col Bouterse's hopes of more substantial financial and technical assistance from his giant Latin neighbour to the south have so far been disappointed.

With negotiations for a loan from the International Monetary Fund stalled end the continuing cut off in Dutch aid, Surinam has been forced to cut back severely on its development budget over the past two years.

Foreign exchange reserves are reported to have virtually run out last August, leading to a shortage of essential foodstuffs and other imported goods.

Ecuador and Costa Rica forced to extend debt deadlines

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

DEADLINES for subscriptions to bank rescheduling deals for both Costa Rica and Ecuador have had to be extended because of a slow response from creditor banks.

Costa Rica is seeking $75m (£71m) and Ecuador $200m in fresh bank credit as part of the deals, but so far commitments are running below the critical mass of about 90 per cent required by the International Monetary Fund as a condition of its approval for economic adjustment programmes for each of the countries concerned.

The 235 creditor banks of Costa Rica and the 400 creditors of Ecuador had been asked to subscribe to the deals by last week but the deadlines have now been extended to this week amid fears that if the money is not forthcoming approval of the IMF programmes may be delayed.

Bankers say the main problem has been the reluctance of banks to treat the requests with the same priority as those from larger debtors with a greater degree of leverage on the banking system.

The Costa Rican and Ecuadorean packages have been in the market at the same time as the $4.2bn credit for Argentina and the $925m loan for the Philippines, whose signature previously scheduled for today has also been delayed while final subscriptions are rounded up.

The experience of Costa Rica and Ecuador thus highlights the extra struggle facing smaller developing country debtors in their efforts to meet their requirements for commercial bank finance, bankers say.

In the background have been renewed worries over Brazil's ability to meet economic targets set by the IMF. This has given reluctant creditors such as U.S. regional banks an excuse for withholding their commitments to the loan packages.

Carbide chief vows to 'fight'

UNION CARBIDE will "fight right to the end" any legal attempts to prove the company negligent in the Indian Bhopal disaster that left more than 2,000 people dead, the chairman says, AP reports from Charleston, West Virginia.

A negotiated settlement would avoid years of tangled court proceedings, and the chemical giant has no intention of ducking responsibility to the victims, said Mr Warren Anderson, the company's chairman.

U.S. lawyers have filed billions of dollars in lawsuits against Union Carbide on behalf of victims of the methyl isocyanate leak in Bhopal, many of them claiming the company was negligent.

"I'll accept my responsibility," Mr Anderson said in an interview. "I don't know of any kind of issue, class action issue, that wasn't solved by compensation arrived at through a compromise, sooner or later, so why wait [illegible]

McDonnell wins C-17 approval

By Michael Donne, Aerospace Correspondent

McDONNELL DOUGLAS of the U.S. has been given formal approval for full-scale development of the C-17 cargo aircraft for the U.S. Air Force. The C-17 is scheduled for first flight in 1989, and service by 1992.

Although primarily intended for military use, initially, the long-range heavy cargo-lifter, could also eventually have commercial applications. Development cost will be about $4bn (£3.9bn).

A high-wing, four-engined (Pratt and Whitney PW-2037 advanced jet engines) aircraft, the C-17 is being designed to fly distances of several thousand miles, carrying a maximum payload of 172,200 lb. It will have short take-off and landing capability, using unpaved airstrips only 3,000 ft long.

Customer leads in the military role, apart from troops, will be vehicles, tanks, helicopters and missiles.

Faltering support threatens fragile morale of the contras

AFTER years of fighting against the left-wing Sandinista Government in Nicaragua with little tangible effect and with their international support faltering, the morale of the contras, or counter-revolutionaries, based in Honduras looks increasingly fragile, writes Hugh O'Shaughnessy, recently in Honduras.

At their bases on the Honduran-Nicaraguan border the contra fighters put their best face on it. An hour's drive and walk up a twisting muddy road near the Honduran frontier post of Las Manos is a small refugee camp a few hundred yards from Nicaraguan territory. The inmates rely for survival on food supplied by international relief organisations and the money they earn picking coffee from the luxuriant plantations dotted among the forest-covered mountains. Some of the time the men go out on military operations mounted by the FDN, or Nicaraguan Democratic Force.

Eusebio recounted how he had gone on month-long expeditions into Nicaragua and claimed that everywhere he had been greeted with open arms by his compatriots.

A pastor from the Nicaraguan town of Esteli said he had accompanied the troops on raids, serving them as chaplain and medical auxiliary with the help of funds he has received from the Assemblies of God in Houston, Texas. He did not want to give his name.

"We were organised and operating within a few weeks of the Sandinista takeover in 1979," he claimed.

In Tegucigalpa, the Honduran capital, talk was much more circumspect. Sr Indalecio Rodriguez, a former Nicaraguan veterinary surgeon and university professor, was adamant that none of the estimated 10,000 FDN fighters was based on Honduran territory. He discounted evidence collected at the refugee camp and he insisted that the venue of our conversation should remain secret.

The cause of his worry became clear in conversations with officials of the Honduran Foreign Ministry. The Government of President Roberto Suazo Córdoba is worried about the future of the contras. "They have failed to capture and hold territory in Nicaragua and there is no possibility of them achieving their old objective of setting up a provisional government," a Honduran diplomat complained. "Support for them in the U.S. Congress is faltering and we may be left with thousands of heavily armed Nicaraguans on our hands."

This month U.S. President Ronald Reagan called the contras "our brothers" and Secretary of State Mr George Schultz referred to them as "freedom fighters."

Nevertheless, there is not much confidence in Tegucigalpa in the ability of the Reagan Administration to reinstate some of the U.S. subsidy of $24m (£22.42m) a year to the contras that Congress in Washington suspended last June. Despite fund-raising efforts among private U.S. donors and some right wing governments outside the U.S., the Hondurans feel there is little chance the FDN will be able to make up the loss of funds from Washington.

As hints come out of Washington of the Administration's decision to dump the contras and try some new strategy to checkmate the Sandinistas, the FDN leadership knows that it has a problem with its public image. Despite repeated attempts at evolving a united front with Arde, the other main contra group which operates in Nicaragua from Costa Rica, the two groups are still at odds.

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½ %
Armco Trust Ltd.	14½ %	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm't Trust	14 %	Roxburghe Guarantee	14½ %
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**	14 %	Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	¶12¾ %	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½ %	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
Consolidated Credits	14 %	Westpac Banking Corp.	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½ %
The Cyprus Popular Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½ %		
Exeter Trust Ltd.	14½ %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14½ %		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½ %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
§ Mortgage base rate.
¶ Demand deposits 11%.
** See Provincial Trust Ltd.

FT COMMERCIAL LAW REPORTS

Sub-charterers can sue shipowners in tort

SAMICK LINES CO LTD v OWNERS OF THE ANTONIS P. LEMOS

House of Lords (Lord Scarman, Lord Diplock, Lord Roskill, Lord Brandon of Oakbrook and Lord Templeman): February 21 1985

THE ADMIRALTY Court has jurisdiction to hear an action in tort against a shipowner if it is connected with agreements relating to the carriage of goods in his ship, though those agreements took the form of a sub-charter and sub-sub-charter to which he was not a party.

The House of Lords so held when dismissing an appeal by Sammisa Co Ltd, owners of the Antonis P. Lemos, from a Court of Appeal decision that the Admiralty Court had jurisdiction to hear an action brought against them by sub-charterers, Samick Line Co Ltd, and to order the arrest of the ship.

* * *

Section 20 (1) of the Supreme Court Act 1981 provides: "The Admiralty jurisdiction of the High Court shall be . . . (a) jurisdiction to hear and determine . . . (2) . . . (h) any claim arising out of any agreement relating to the carriage of goods in a ship or to the use or hire of a ship."

LORD BRANDON said that Samick were sub-charterers of the Aotonis P. Lemos. Under the terms of a sub-sub-charter they guaranteed that the vessel's maximum draught on arrival at port of discharge would not exceed 32 ft in salt water.

In performance of the sub-sub-charter Antonis P. Lemos loaded a full cargo of corn at Houston, Texas, for carriage to Alexandria. When she arrived at Alexandria, her draught exceeded 32 feet in salt water. In consequence, she had to be lightened before berthing, and there was delay in discharge. Samick had to pay the cost of lightening and other expenses and losses.

In order to recover the cost, Samick began an action in the Admiralty Court against the owners of the vessel, and arrested her to obtain security for the claim. The claim was founded solely on the tort of negligence.

The owners applied to the Admiralty Court for an order that the writ and warrant of arrest be set aside on the ground that it had no Admiralty jurisdiction in respect of the claim.

Mr Justice Sheen decided in the owners' favour. The Court of Appeal reversed his order.

In the present appeal the sole question was whether Samick's claim came within section 20 (2)(h) of the Supreme Court Act 1981. If it did not, the Admiralty Court had no jurisdiction to hear the case, nor power to arrest the vessel.

The provisions of the Act dealing with the Admiralty jurisdiction of the High Court were the successors of earlier provisions in the Administration of Justice Act 1956 and were, so far as was material, in substantially the same terms. Part I of the 1956 Act was enacted to give effect in England to the International Convention for the Unification of Certain Rules relating to the arrest of Seagoing Ships, made at Brussels on May 10 1952.

The owners' primary contention, which was rejected by both Mr Justice Sheen and the Court of Appeal, was that section 20 (2)(h) of the 1981 Act applied only to claims of a purely contractual character founded on an agreement made directly between the parties to the action.

Mr Saville, for the owners, contended *inter alia* that "arising out of" in section 20(2)(h) had the narrow meaning of "arising under" and not the wider meaning of "connected with."

Whether the expression had the narrower or the wider meaning in any particular case must depend on the context in which it was used.

If it did mean "connected with," argued Mr Saville, a number of later paragraphs in section 20(2) would be unnecessary because their subject matter was already covered by (h).

That point had no real force. The list of claims in section 20(2) was derived from article 1(1) of the Convention. It was clearly the agreed policy of negotiating states to have in article 1(1) a full and complete list of specific maritime claims, rather than a few general formulations. Having regard to that policy, some degree of overlap between the specific claims and kinds of claim listed in article 1(1) seemed natural and inevitable, and that overlap was reproduced in section 20(2).

There was a temptation to say that because, in *Gatoil [1985] 2 WLR 74*, the House of Lords gave a narrow meaning to "relating to" in section 47(2)(e) of the 1956 Act, it should likewise give a narrow meaning to "arising out of" in section 20(2)(h) in the 1981 Act. The temptation should be resisted. There were two significant differences between the expressions.

*

The first was that in article 1(1) of the convention, "arising out of" was placed so as to govern all maritime claims listed (a) to (q). That arrangement was followed in section 47(2) of the 1956 Act, applicable to Scotland.

So far as England and Northern Ireland were concerned, however, the arrangement and wording of article 1(1) were not similarly followed. On the contrary, in section 1(1) of the 1956 Act applicable to England and Northern Ireland, there was a re-arrangement and rewording as a result of which erned all the claims listed (a) to (q), but was transferred so that it appears donly in (h), (q) and (r).

If in article 1(1) of the convention, one substituted "arising under" for "arising out of," the former made no sense in relation to most of the claims (a) to (q). In contrast if one substituted "connected with," it made complete sense in relation to all the claims.

It was clear that in article 1(1) of the convention, "arising out of" could not have the narrower meaning of "arising under," but must have the wider meaning, "connected with."

*

It could not have been the intention of the legislature as a result of the re-arrangement and re-wording in section 1(1) of the 1956 Act, to give a different and narrower meaning than that in section 47(2) and in article 1(1) of the convention.

To attribute such an intention to the legislature would mean that, when giving effect to the convention, it had enacted provisions applicable in England and Northern Ireland which differed materially from those in Scotland. It could not be right to attribute to it any such bizarre intention.

The second difference concerned the authorities. *The St Elefterio [1957] P 179* and *The Sennar [1981] 1 Lloyd's Rep 295* supported a wide construction of "arising out of." By contrast, *The Zeus (1883) 13 PD 188* and *The Aifonourios [1980] SC 346*, supported a narrow construction of "relating to."

For those reasons the *Gatoil* decision on construction of "relating to" in 47 (2) (e) was not determinative of the construction of "arising out of" in 20(2)(h).

There were four main grounds on which "arising out of" should be given the wider meaning.

The first was the principle that a domestic statute designed to give effect to an international convention should, in general, be given a broad and liberal construction.

Secondly, there was a clear indication in the arrangement and wording of article 1(1) of the convention that "arising out of" was used there in the wider meaning.

Thirdly, the re-arrangement and rewording of article 1(1) in section 1(1) of the 1956 Act, followed in section 20(2) of the 1981 Act, could not have been intended to substitute a narrow meaning for the wide meaning which it clearly had in article 1(1).

Fourthly, *the St Elefterio* and *The Sennar* supported the wider meaning. *The St Elefterio* had stood unchallenged for 26 years. Until the present case, "arising out of" no longer gov- In the interval the legislature saw fit, in the 1981 Act, to re-enact the provision construed in that case in the same terms as before.

The owners' second and alternative contention was that even if section 20(2)(h) extended to claims in tort, it only did so if they were directly connected with some agreement of the kind referred to in the sub-section, made between the two parties to the action.

Mr Justice Sheen accepted that contention. The Court of Appeal rejected it.

Lord Justice Parker's reasoning in the Court of Appeal was that there were a number of agreements falling within section 20(2)(h)—the head charter, the sub-charter, and the sub-sub-charter. The section contained no words which restricted its application to agreements made directly between the two parties to the action. There was no good reason and no authority to the contrary, for importing restrictive words having that effect.

If Samick could establish that their claim arose out of an agreement of the relevant kind, then even if it was not made directly between Samick and the owners, that claim fell within 20(2)(h).

*

If Samick's claim in tort were sustainable, it could only be because of the guarantee on the sub-sub-charter, the owners' awareness of the guarantee, and the master's obligation under the sub-charter to supervise loading—and, whether it was reasonably foreseeable that if the vessel's draught exceeded the maximum Samick would suffer damage.

The claim plainly arose out of the sub-sub-charter, or the sub-charter, or both. There was no authority to the contrary.

On the grounds stated by Lord Justice Parker the owners' second contention should be rejected.

Lord Scarman, Lord Diplock, Lord Roskill and Lord Templeman agreed.

For the owners: Mark Saville QC and Jonathon Gaisman (Richards Butler and Co.).

For Samick: Bernard Rix QC and Peter Hayward (Holman Fenwick and Willan).

By Rachel Davies
Barrister

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord.	142	—	6.6	4.4	7.9	9.4
161	135	Ass. Brit. Ind. CULS	150	—	10.0	6.8	—	—
77	61	Airsprung Group	65	—	6.4	11.0	6.0	7.2
42	26	Armitage & Rhodes	35	—	2.9	8.3	4.4	7.3
142	108	Bardon Hill	141	+1	3.4	2.4	14.2	23.7
58	42	Bray Technologies	47	—	3.5	7.4	6.5	7.0
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
850	100	Carborundum Ord.	850	—	5.7	0.7	—	—
86	84	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
103	43	Cindico Group	43S	—	—	—	—	—
73	51	Deborah Services	56xd	—	6.5	11.4	5.3	8.6
297	182	Frank Horsell	297	+2	—	—	11.9	15.6
257	170	Frank Horsell Pr.Ord.87	257	—	9.6	3.8	10.3	18.6
32	25	Frederick Parker	28	—	—	—	—	—
55	33	George Blair	55	+1	—	—	3.7	7.4
50	27	Ind. Precision Castings	29	—	2.7	9.3	7.8	8.6
218	188	Isis Group	188	—	15.0	8.0	7.4	13.4
134	104	Jackson Group	104	+1	4.9	4.7	4.8	9.4
285	213	James Burrough	270	—	13.7	5.0	9.8	9.8
93	83	James Burrough 9pcPf.	86xd	—	12.9	15.0	—	—
87	71	John Howard & Co.	87	—	5.0	5.7	8.9	12.6
170	100	Linguaphone Ord.	168	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	95	—	15.0	15.8	—	—
612	300	Minihouse Holding NV	612	—	3.6	0.6	44.0	48.2
120	31	Robert Jenkins	39	+1	5.0	12.8	—	—
60	28	Scruttons "A"	32	—	0.7	17.6	16.8	3.9
92	61	Torday & Carlisle	78	—	—	—	8.4	17.7
444	370	Trevian Holdings	370	—	4.3	1.2	21.0	20.7
27	17	Unilock Holdings	27	—	1.3	4.8	13.1	18.9
98	91	Walter Alexander	95	—	7.5	7.6	8.6	11.0
247	224	W. S. Yeates	224	—	17.4	7.7	5.4	10.7

S=Suspended.

Prices and details of services now available on Prestel, page 48146

WORLD TRADE NEWS

Sinclair seeks role in French school computer project

BY DAVID MARSH IN PARIS

SIR CLIVE SINCLAIR, head of Britain's Sinclair micro computer concern, this week is dispatching e letter to M Laurent Fabius, the French Prime Minister, urging the Paris Government to include his company in its new programme to hoost use of computers in schools.

Sir Clive's action is part of a lohhying drive by several major groups — including IBM and Apple of the U.S. — to secure a firmer foothold in the French educational computer market as a result of the schools plan. Sir Clive is also planning an approach to the EEC Commission to try to ensure that European companies can participate in the programme.

The Government is paying lip service to the idea of choosing some foreign computers, hut bas already made clear that the bulk of the orders will go to French industry, led by Thomson and Bull, the state-owned electronics groups.

Sinclair, which is in the throes of choosing a French industrial partner with which to produce its computers in France, has carved out a larga share in the country's domestic computer market.

Representatives of the British embassy in Paris on Friday called on officials working for M Gilbert Trigano, the cheirman of holiday village operator Cluh Mediterranée, who has been called in by M Fahius to supervise the schools programme.

Under the plan, announced at the end of last month, 120,000 computers ere to be installed in educational establishments by the start of the school year this September.

Sinclair has been making a hig effort to break into schools by developing educational software. It has also been selling machines by "backdoor" routes —for instance, through parent-teacher associations—to combat the official huy-French policy up to now put into place for schools purchases.

Company officials in Paris say Sinclair could be forced to modify its plan to start manufacturing in France as a result of any adverse decisions over schools. It has heen in contact with a number of French companies—inclnding telecommunications group CIT-Alcatel, over the possihility of sub-contracting or using existing production facilities.

GM awards Lucas $15m U.S. headlamp contract

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A CONTRACT worth at least $15m (£13.8m) over the next two years to supply General Motors with headlamps for a new, large-volume car to be launched in the U.S. in 1986 has been won by the lighting division of Lucas Electrical, the UK motor vehicle and aerospace components group.

The deal represents a major breakthrough in the North American market for the UK company's DMC (dough moulding compound) headlamp technology.

Lucas will also provide Fisher Guide, GM's lamp manufacturing subsidiary, with technical assistance on replacement bulb headlamps.

Fisher Guide has also contracted with Lucas for the supply of headlamp products for two additional new GM cars scheduled to be launched in 1987.

DMC components for the new 1986 GM model will be made by Lucas at its lighting division headquarters in Cannock, Staffordshire, and under licence at Fisher Guide's plant in Monroe, Louisiana. Deliveries from the UK are expected to begin in July.

DMC is reinforced thermo-setting plastic material, patented by Lucas, which enables car and commercial vehicle headlamps to be produced which offer greater light output and better wind cheating shapes than conventional lamps with metal reflectors, according to the company.

Spain pays $500m LNG penalty

By David White in Madrid

SPAIN has obtained a reduction of more than 20 per cent in its contracted purchases of liquefied natural gas from Algeria, under a protocal agreement signed in Algiers at the weekend.

It will have to provide, however, $500m (£468m) in compensation for having failed in its side of the bargain up to now, and will benceforth pay the same premium price for the gas as the French, Belgians and Italians.

The indemnity te be paid by Spain is made up of $300m in retroactive price increases and $200m to compensate for investments made by Sonatrach, the Algerian state oil and gas company, at its Skikda complex in arder to fulfil the long-term contract signed by the two countries in 1975.

Revision clause

The row arose because Spain was only taking about a third of the gas envisaged in the original "take or pay" contract and because Algeria was pressing for a higher price.

The Spanish deal is now being brought into line with the so-called "European price" of $3.89 per million British thermal units, an increase of about 20 per cent. The agreement includes a three-year revision clause, and Spain has the right to demand negotiations if world prices fall sharply.

The reduced purchase is spread over a further 20 years instead of the 14 remaining in the original agreement. Spain is to buy a total of 60bn cubic metres during this period, in quantities rising from 1.5bn cubic metres in the first three years to 3.8bn at the end of the contract.

The total is 14.2bn cubic metres less than the amount outstanding under the original agreement. Between 1979 and 1984 Spain lifted only 7.3bn out of the 18.5bn it had contracted to buy — leaving 11.2bn cubic metres outstanding — and from now to 1995 it was to have taken a further 63bn.

Israel may abandon Lavi fighter aircraft project

ISRAEL'S AMBITIOUS programme to build an advanced ground attack jet fighter, the Lavi, is being reconsidered after $700m (£650m) hava already been spent on development costs, David Lennon writes from Tel Aviv. Israel may abandon the project and opt instead for co-production of a U.S. fighter.

Mr Yitzhak Rabin, the Defence Minister, was reportedly shocked when an independent review of the programme revealed that development costs for the plane would be far in excess of the $1.37bn originally estiamted. A figure of $2bn is already being bandied about and it may go higher still.

Each of the 300 planes to be built for the Israel Air Force were originally estimated to cost $10.8m, a figure which many independent experts regarded as unrealistically low.

The Lavi is not the first jet to be built in Israel. The state-owned Israel Aircraft Industry company has been buildiog the Fouga trainer under licence from France for many years and for 10 years has ben building its own fighter, the Kfir, which is based on the stolen plans for a type of French Mirage jet.

Authorisation for development of the Lavi, which is based on the General Dynamics F-16 fighter, was given in 1980. It is to be powered by Pratt and Whitney's 1120 engine which is to be assembled at the financielly troubled Beth Shemesh engines plant.

The U.S. Government has been providing $250m a year to fund the development costs of the Lavi. But recently Washington let it be known that even if the project is scrapped, as many in the Pentagon believe it should be, this sum will still be granted to Israel as part of the military aid package.

Because of soaring costa at a time when ways are being sought to cut the defence budget, the Ministry of Defence is now considering abandoning the project. Instead of producing the Lavi, Israel may consider a co-production deal with General Dynamics to assemble the F-16 in Israel, or with Northrop of the U.S. to help develop and build the F-20, according to a report in Ma'ariv newspaper yesterday.

Dozens of companies in the U.S. and a few in Britain have contracts with Israel Aircraft Industry to provide various elements of the Lavi which is due to he operational by 1990-91. It is not known what would happen to these contracts if the Lavi project is scrapped.

World shipbuilding orders fall

BY ANDREW FISHER, SHIPPING CORRESPONDENT

NEW world shipbuilding orders fell to their lowest level since mid-1983 in the last quarter of last year and were also well below actual production, Lloyd's Register of Shipping's latest figures show.

Japan showed a sharp drop in new orders, though most other major shipbuilding countries recorded rises, notably South Korea and the U.S. But West Germany and Spain were well down.

Total new orders booked in the last three months of 1984 were 30.7m gross tons against 31.4m tons in the third quarter and 32.6m tons in the final quarter of 1983.

This was well below the levels of the early and mid-1970s, the low point being reached in early 1979 with around 25m tons. The latest figure was the lowest since the second quarter 1983 level of just under 30m tons.

Lloyd's said that the 3.8m tons of new orders placed during the fourth quarter of last year was about 1.2m less than total output during the quarter.

Orders received by Japanese yards, which had risen sharply in the third quarter, fell by 1.2m tons to 13.1m, while South Korea recorded a 265,000 ton rise to 5.8m tons. The number three country in the industry, Brazil, gained only 47,000 tons to 1.5m.

Nearly 70 per cent of the world order book is due for delivery by the end of this year, Lloyd's said.

Reuter reports from Tokyo: Japan's Transport Ministry has extended a two-year curb on shipbuilding industry production for another two years, beginning April 1, 1985.

Total shipbuilding volume has been set at 4.10m compensated gross registered tonnes for the year 1985-86 and 4m CGRT in 1986-87.

European petrochemical groups form association

BY TONY JACKSON

THIRTY OF Europe's biggest petrochemicals producers have formed tha Association of Petrochemicals Producers in Europe. It will constitute a sector of the European industry body CEFIC.

APPE will replace the former petrochemical committee and petrochemical advisory committee within the CEFIC organisation. Its aim is to represent the industry to national and international organisations such as the EEC and the UN, and to act as industry spokesman in general.

Almost all the major European petrochemicals producers are represented. UK members are Shell, ICI and BP. Besides French, Germen and Italiao producers, the European subsidiaries of U.S. groups such as Dow, Monsanto and Phillips heve also joined.

The formation of a specific petrochemicals grouping within the European industry is a significant move in the context of pressures on European markets. The industry has expressed concern about forthcoming low-cost production from Saudi Arabia

Jurek Martin reports on a government-backed project to assist the private sector

Japan moves to bolster research and development

BARRING UNFORESEEABLE Parliamentary complications, by October 1, Japan's Ministry of International Trade and Industry (Miti) should have in place a project designed to help remedy the country's perceived deficiencies in basic scientific and technological research and development.

The scheme, a year in the making and outlined in a recent Bill presented to the Diet, is a classic Miti device in that it involved relatively small amounts of Government funding but a good deal of Government-to-private sector co-operation and, though less clearly, direction.

As such, it invites comparisons with official policy in other nations, especially the UK and, to a degree, the U.S., where Government roles and budgets are becoming less intrusive and important. It may also invite criticisms, especially from the U.S., of the extent to which it may be seen as another example of the often-attacked Japanese industrial policy at work, with its implications of hidden subsidies.

Mr Hisashi Hosokawa, director of the industrial structure division of Miti's industrial policy bureau, sees nothing sinister and a lot constructive in the project. Indeed, he maintains strongly that Japan and the U.S. agree that sponsoring non-defence research and development, is "a reasonable Government activity" so long as it stops short of official involvement in, or subsidy of, actual commercial production.

Total annual Japanese spending on R & D, according to Mr Hosokawa, amounts to about Y6,000bn ($23bn), of which the private sector accounts for Y4,000bn. As a percentage of national income, Japanese outlays are near the average for OECD countries, though the government-funded share is well below the norm.

But, of private sector activity, Y2,900bn goes into product development, Y900bn into applied research and only Y200bn into pure, or basic, R & D, Japan's supposed achilles heel.

The Miti project would tackle this by setting up the Centre for the Research Facilitation on Fundamental Technologies (Crefft). Its manifold purposes would include providing risk money to private companies with what are deemed worthwhile R & D schemes, and it would otherwise co-ordinate and perhaps, though to an unspecified degree, channel research energies into given directions.

True to form, the financial backing is modest; an initial foundation of Y12bn (half from direct Government funds, a quarter from the Government-owned Japan Development Bank, and a quarter from the private sector); operating funds from the national budget have been set at Y4bn for the initial six months and, presumably, roughly double that over a full fiscal year thereafter. But this would still only be equivalent to 4 per cent of what the private sector is now spending on basic R & D.

Crefft will be staffed and run by private companies and independent experts and will pick its own projects, with Miti in the background. In practice, it is almost inconceivable Miti's influence will be that passive.

Mr Hosokawa also drew attention to the international aspects of the project. Foreign concerns, he says, may apply to Crefft if they have bases in Japan or are engaged in substantive co-operation with Japanese companies. It is also intended to invite the participation of foreign researchers.

Whether this can amount to anything is another matter since the general policy of the Japanese government has not been to provide funding, or indeed many other favours, to foreign companies. But Miti is one of the more internationally-minded government departments—certainly more so than the Ministry of Education, under whose purview much Japanese academic and institutional research is conducted and with whom Miti has its bureaucratic wars.

At the very least, there will be keen interest in Japan and overseas in the course of this new project, if only because it is a Miti creation and the Ministry is reckoned to count, perhaps more than it actually does.

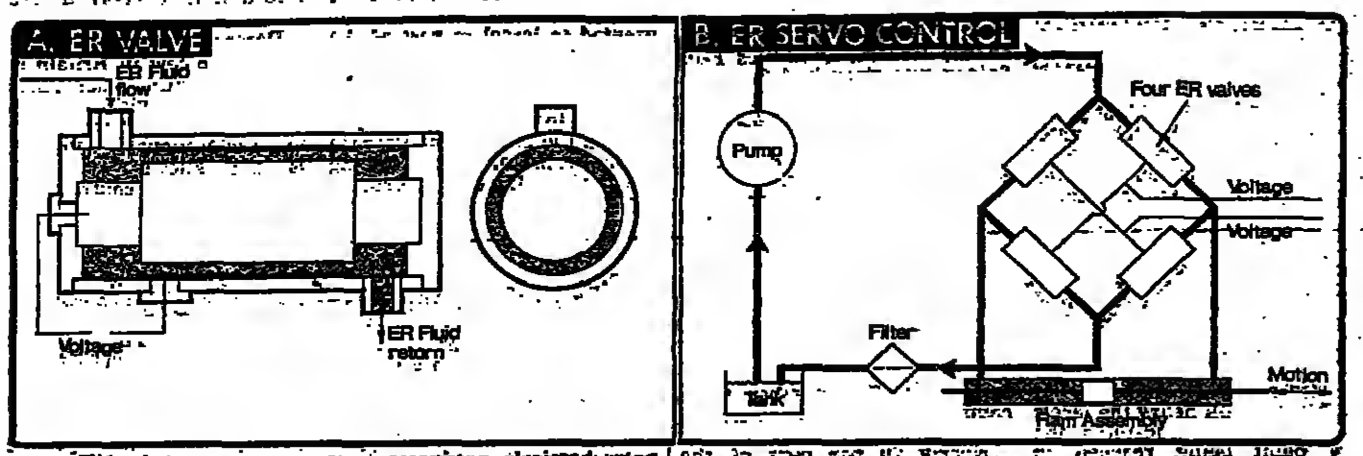
TECHNOLOGY

EDITED BY ALAN CANE

CONSORTIUM FORMED TO DEVELOP APPLICATIONS FOR NOVEL FLUIDS

Kitchen chemists get cooking

BY DAVID FISHLOCK, SCIENCE EDITOR



Laser Engineering's ER valve (A) and experimental servo control system using a Wheatstone bridge of four ER valves to control a hydraulic ram (B).

A STRANGER could have been forgiven for thinking that he had stumbled upon a clandestine cookery class at times during the discussion of electro-rheological fluids at the Institution of Electrical Engineers in London.*

Rarely can its hallowed Faraday Room have echoed the argot of so many disciplines simultaneously—and above all of kitchen chemistry.

An electro-rheological (ER) fluid is one whose mechanical properties — viscosity, for instance—change dramatically when an electric field is applied. An oil or paste can be switched instantly to a solid and back again. Speakers likened their ER fluids to porridge, to toothpaste, to paint.

A clutch that uses the ER principle was patented as long ago as 1947. Starch suspended in oil in a stable dispersion provides an early example of an ER fluid. One speaker said self-raising flour and sunflower oil works, too.

It is dawning that if the bizarre properties of ER fluids are to find commercial uses, chemists and engineers must work closely to understand them and design "stronger" and less corrosive fluids. The challenge is attracting such companies as ICI with its facility for synthesising new molecules and a newly-declared interest in "electronic chemicals."

An ER fluid is a suspension of small, porous particles in a non-conducting liquid. The particles are hydrophilic—water-attracting—and the carrier liquid is strongly hydrophobic. When an electric field is applied to such a fluid, it "freezes"—ceases to flow until a certain shear stress is reached. That is a measure of the "strength" of the ER fluid.

Just how much progress ER fluids have already made in penetrating the engineer's domain was illustrated by a couple of speakers. Dr John Sproston, a lecturer in mechanical engineering at Liverpool University, who is being funded by the Ford Motor Company, described a clutch with which he is experimenting.

It comprises two plates spinning in a sealed chamber a few millimetres apart. The chamber is flooded with an ER fluid—a suspension of starch in a silicone oil. When he applies a high voltage (up to 11 kilovolts) between the clutch plates, the pasty fluid sets solid.

When cool, the device draws only milliwatts of power, Dr Sproston said. But as the ER fluid gets hotter, the power demand accelerates rapidly—"thermal runaway," as he called it. "Temperature effects are a menace," he acknowledges ruefully.

If he can overcome them, he believes he is on the way to closed-loop control of a continuously variable transmission based on an ER clutch.

In other words, as Douglas Brooks of Laser Engineering (Development) Ltd observed, ER fluids offer the prospect of a direct interface between electrical and hydraulic systems, with no moving parts. Brooks described demonstrations in his laboratory of the servo control of 500-800 watts of hydraulic power with just a few watts of electrical power.

Laser Engineering, a defence contractor in the City of London, makes one of the more promising ER fluids available at present, consisting of fine particles — a few microns — of the polymer lithium polymethacrylate suspended in a chlorinated hydrocarbon oil. An electrical field can switch this thick goo into a substance 10,000 times stronger, and back to a goo.

Laser Engineering is at the centre of a "club" of British industrial and university research groups interested in ER fluids. The industrial members—including Automotive Products, British Aerospace, Castrol, Dowty Rotol, GEC and ICI — help to fund a collaborative research programme managed by the London-based Electro-Rheological Research Syndicate Ltd, while each pursues its own product-orientated research. GEC Avionics, for example, has just applied for a patent on what may be the first commercial use, in a test rig for printed circuits.

Douglas Brooks's work is financed by the syndicate, which has an annual subscription of £8,000 from each of its industrial members for pre-competitive research on ER fluid technology. Brooks has demonstrated an ER fluid valve with no moving parts, as shown in the sketch. The ER fluid flows through the narrow annulus. When an electric field is applied to the flow path, the valve shuts off.

By arranging four ER valves with much the same pressure drop in a Wheatstone bridge circuit (see sketch), he has effectively made a very simple servo valve system. It can switch a hydraulic pressure of up to 60 bar (1,090 lb per sq in) on and off at frequencies as high as 200 times a second. (At 400 Hz, his pumping rig begins to resonate.) Brooks says he can develop 150 lb of thrust on the ram shown in the sketch. "We really are talking about sizeable engineering loads."

Such a scheme, involving simple, inexpensively machined servos, could find a use in guided missiles, British Aerospace believes.

From the academic side of the syndicate comes a message that ER fluids are intriguing but difficult to understand, much less to improve. Dr John Goodwin of Bristol University, for example, described elegant experiments on the ER fluid that Brooks is using, to try to characterise its behaviour at different field strengths, concentrations, and water content.

Water is a bugbear, confirms Dr Harry Block, from Liverpool University but shortly to take up the new chair of GEC Avionics professor of [illegible] electronics at the Cranfield Institute of Technology. Block says the ability to [illegible] rheological properties of fluids using electric fields [illegible] technological promise but is hampered at present by a poor understanding of the mechanisms involved. "In particular, the absence of a quantitative framework for the effects is hampering the development of improved fluids and the elimination of certain undesirable side effects."

* IEE Colloquium on electrically active fluids.

Memory is the core of data back-up

Professional Personal Computing

BY ALAN CANE

THE JOURNALIST looked with satisfaction at his new personal computer complete with hard disk capable of storing 10m characters of information.

"I do not need to off-load my stories from the Winchester to floppies" he crowed. "It will take me years to fill that disk."

So it would. Unfortunately, a fault on the disk drive eliminated most of his articles the next week, causing him some heartburn and forcing him to reflect that backing-up information is as important as creating it.

Low cost, efficient data storage is important for two reasons: first, the speed at which data and program instructions can be retrieved from memory is critical to the rate of operation of the computer, whether mainframe or micro.

Second, as our journalist found to his cost, stored data which is not properly backed up is next to valueless.

Fifteen years or so ago (just prior to the start of the personal computing era) high speed storage involved a number of magnetic media including thin film, plated wire and, of course, core.

Modern computing was built on core, a matrix of minute rings of a magnetic material suspended on fine wires passing through their centres through which electric current could be passed to influence the sense in which magnetism flowed in each core.

Magnetism flowing in one direction signalled a binary "1", in the other, a binary "0".

In the late 1960s, core began to give way to semiconductor memory, where the information was stored in the electronic features built into silicon chips.

"It was obviously the way fast storage was going to go, but it was expensive."

Indeed, in the days when personal computing was still an occupation for enthusiasts, many home-built computers used chunks of core bought second hand from electronics distributors for fast memory.

A number of companies specialised in the creation of core store including IBM, which managed remarkable economies of scale in creating memories for its System/360 family of computers and Ampex, a company whose reputation was founded on innovative products in the audio-visual field. It pioneered the first practical videotape recorder in 1956.

Among its achievements in core memory were some of the tiniest cores ever manufactured; they were stamped out of magnetic tape, then the plastics backing was removed leaving minute rings of magnetic material.

Vacuum techniques were used to suck each core into a slot ready for threading either by hand or machine.

Despite the low cost per unit of information which can be achieved using semiconductor memory—several companies are

In the late 1960s, core began to give way to semiconductor memory where the information was stored on silicon chips.

now claiming in excess of one million bits of information on a single chip—Ampex still makes core memory.

It still finds uses in military systems and in space because information once written into the core is permanent until it is rewritten. It does not need power to maintain the state of the memory cells, nor does it have to be rewritten many times a second to maintain its integrity.

Tests at Ampex show that its core will retain their contents at heat tests until the control wires melt.

Today's professional personal computers need memories of a similar dependability [illegible] information must be written [illegible] and it must be properly backed up.

Core storage is no longer a feasible solution but [illegible] "Megastore," Ampex has created an effective answer in a single unit.

The memory needs of a personal computer can be compared to an accountant drawing up accounts. Simple arithmetic he does in his head using the numbers and methods of operation he can remember easily (high speed store).

Other facts and procedures will probably be looked up in reference books immediately available and easily [illegible] to his mind (disk storage).

Finally, there are the reference files, all the information about all his clients safely stored away but a slow process to retrieve and search (back up tape storage).

The Ampex device combines the two final stages in one box—a 20m byte hard disk with a 25m byte tape back up system attached with the [illegible] claimed that it is invisible to the user.

Ampex says that any back up file can be reached in just under 82 seconds. It claims that conventional techniques involving the transfer of data from the back up tape to disk can take up over 40 minutes, most of the time taken up in moving data between the back up tapes and the disks.

Ampex has incorporated intelligent electronics in the system so that it [illegible] frequently used information in a way which means it can be retrieved [illegible] also identifies [illegible] either disk or tape and avoids them. [illegible]

Ampex reckons its competition [illegible]

Ampex will supply the tape back-up and the hard disk as separate units as well as the [illegible]

Communications

Optic fibres for power line links

THE FIRST installation of a fibre optic communications cable along a 132 kilovolt overhead electricity power line, to provide a telephone and signals link, has been successfully carried out by South Wales Electricity Board engineers in Pembrokeshire, West Wales.

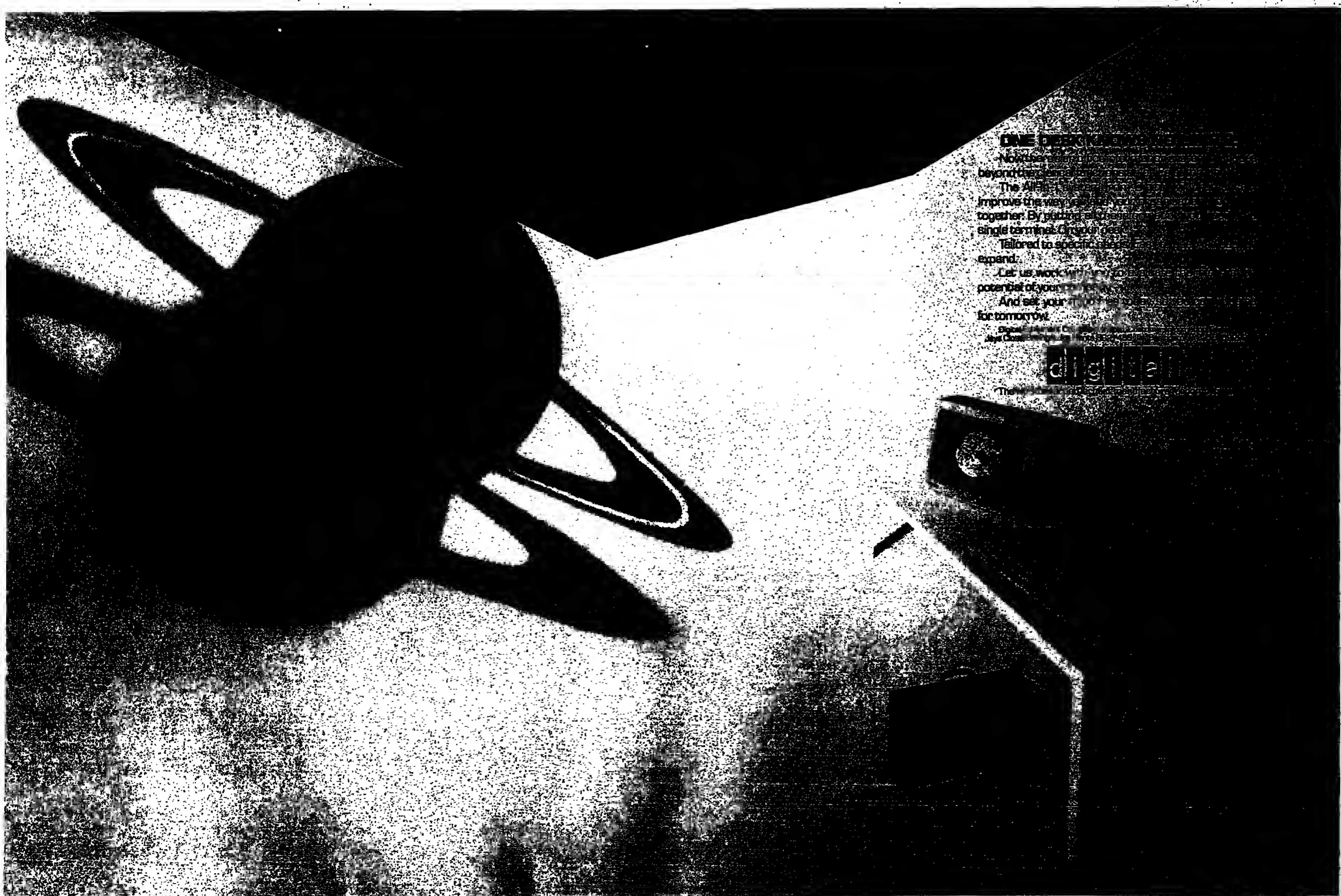
The pilot project, which has already attracted widespread interest from other electricity boards and Electricite de France, opens the way for the industry to develop its own communications networks along overhead and underground power lines.

At present, the electricity industry — which uses communications extensively to control its networks — has either to rent circuits from [illegible] (the UK from British Telecom) or install its own [illegible] overhead or underground communications cables. Optic fibre cables, as they are not affected by the strong magnetic fields associated with high voltage power lines, can use the same physical supports.

[illegible]

The machine holds a drum of fibre optic cable and is pulled along the conductor by a rope from the ground. The action of pulling [illegible] wrapping the fibre optic cable around the supporting conductor.

ROBIN REEVES



UK NEWS

IBM fund will finance biggest business park

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

DEVELOPMENT of Britain's biggest business park is to be funded by IBM's UK pension fund. The £200m project will cover a 150-acre site in southern England, midway between Southampton and Portsmouth.

IBM United Kingdom Pensions Trust, which has total assets of about £700m — about 10 per cent of them in property — is making an initial investment of £20m to cover infrastructure, landscaping and the first buildings. The park, called Solent, is expected to provide up to 2m sq ft (186,000 sq m) of mixed commercial space.

The Solent park, by the M27 motorway, is to be developed jointly by Harbour Properties, the property trading and management subsidiary of IBM's pension fund, and Arlington Securities, the private development group involved in some of the country's largest business park projects. IBM will provide all project finance and split the profits equally with Arlington, the developers.

The site for the business park has been assembled and acquired by Arlington, the majority partner, Parham Estates, a subsidiary of Philip Hill Investment Trust, and Robert Fraser, the financial services group. About 100 acres of land have now been sold on to IBM and the remainder of the site is expected to be acquired as development progresses.

IBM intends to retain some of the development as a long-term investment, but occupiers and other institutional investors will be given the opportunity to acquire freehold ownership of individual properties. Normal commercial leases will also be available.

Arlington Securities, which is widely expected to seek a public quotation later this year, is already involved in the development of a 750,000 sq ft business park at Marlow in Buckinghamshire and another 550,000 sq ft project at Newbury, Berkshire. Work on the Solent scheme is expected to start in the summer.

Nissan chief transferred

BY OUR MOTOR INDUSTRY CORRESPONDENT

THE CHIEF EXECUTIVE of Nissan's new subsidiary in Britain has been moved to another post after only two months because he has clashed with Mr Octav Botnar, founder and chairman of the private company which imports the group's cars from Japan.

Mr Nobuyuki Toba, 49, took over as general manager of Nissan's British subsidiary in December. His task was to co-ordinate the efforts of Nissan's new assembly company, which is setting up a factory at Washington, north-east England, with those of the importer, Nissan UK, and to report directly to the Nissan headquarters in Tokyo.

Before arriving in Britain, Mr Toba was a general manager in Nissan's export department in Tokyo with responsibility for Europe. Over the past four years he has become well known to the British import company — the UK is Nissan's best European export market.

His somewhat abrasive style has not endeared him to some senior executives at Nissan UK and recently he has had serious clashes with Mr Botnar, the German who founded the import company in 1970 and has built Nissan car sales in Britain to about 100,000 a year.

Matters apparently came to a head after Mr Toba suggested Nissan would open serious negotiations to buy Mr Botnar's company because of Mr Botnar's age — he is at least 72 — and the fact he has no heir to succeed him. Mr Botnar is known to be sensitive about these issues.

Mr Toba is to become general manager of Nissan's subsidiary based in Brussels, Belgium, a post which carries similar status to the UK position.

The new general manager of the UK subsidiary will be Mr Mitsuya Goto, 55, head of the Belgian company and previously general manager, public affairs, in Nissan's international division.

Anglo-French working party submits Channel-link report

BY ANDREW TAYLOR

RECOMMENDATIONS which could pave the way for the construction of a fixed link across the English Channel between Britain and France are understood to have been passed to senior UK ministers.

The recommendations, contained in a report prepared by an Anglo-French working party of senior civil servants, are due to be presented to both Governments at the end of this week, after a final meeting of the working party in London tomorrow.

The report sets out the financial, technical and safety requirements which cross-Channel schemes will be expected to satisfy. The next stage will be to draw up a treaty between the two countries which will have to be negotiated before work can proceed.

Matters discussed by the working party include the need for any bridge or other structure in the Channel to be able to withstand a collision with the heaviest supertanker; rabies protection; customs and immigration procedures; and which side of the road vehicles would drive if a road scheme were approved.

British customs officials, for example, have objected to working on board trains in line with French practice.

The recommendations deal with the political guarantees both governments have said they will give. The governments have said that a cross-Channel link will have to be financed entirely by the private sector.

Political guarantees will be expected to cover issues such as the long-term ownership of a fixed link and the right of operators to establish fares without government interference.

The working party report is expected to be published by the two governments by the end of next month, after which sponsors of cross-Channel schemes will have until the end of the year to prepare detailed financial submissions.

Three basic concepts are being considered for a crossing. These are a twin-bore rail tunnel proposed by a group of leading British construction companies, a variety of bridge crossings and a road and rail scheme involving both bridges and tunnels connected by artificial islands in the Channel.

This scheme is proposed by a group of leading British and French companies and institutions including Trafalgar House, British Steel, British Shipbuilders, Société Générale, Banque Paribas and Chantiers de l'Atlantique.

Truck trade deficit worsens

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S trade in commercial vehicles, which went into the red for the first time in 1983, worsened sharply last year. But the overall motor industry trade deficit was slightly better at £2.313bn compared with £2.397bn for 1983.

This was the result of a small improvement in car trade, where the deficit fell from £2.69bn to £2.664bn, and a much higher positive balance for parts, accessories and other motor products — up from £429m to £522m.

Britain's commercial vehicle producers have been suffering badly as a result of difficulties in their traditional export markets such as Nigeria and other parts of Africa where foreign currency is not available for imports.

Producers in continental Europe have been pushing into the UK market to compensate, in particular, for the downturn in Middle East orders. The importers' share of the UK heavy truck (over 3.5 tonnes gross weight) sector rose from 31.7 per cent to a record 34.5 per cent last year.

As a result, the value of commercial vehicle exports has dropped steeply from £318m in 1983 to only £289m last year. Imports jumped from £417m to £580m in the same period.

The number of cars exported from the UK last year fell from 273,618 to 212,122, mainly reflecting problems with the biggest export contract — Talbot's deal to send car kits to Iran where they are assembled into that country's best-selling car, the Peykan. Delays in the supply of letters of credit by Iran led to shipments being halted for a few weeks last year.

Car imports also fell, from 1,075,834 to 1,020,892, and the import bill rose only slightly. The increase in the value of cars being shipped out of Britain boosted the export total from £930m to £980m.

The Society of Motor Manufacturers and Traders points out that for 1984, compared with the previous year, the growth in the value of exports outstripped inflation. Growth in imports was roughly in line with inflation.

Car prices rise, Page 8

Labour's policies put under scrutiny

BY OUR INDUSTRIAL EDITOR

LEADERS of the unions and the Labour Party yesterday began the long process of formal reappraisal of the Labour movement's economic and employment policies.

Mr Jim Mortimer, the party's retiring general secretary, argued in a paper presented to the Trades Union Congress (TUC) Labour Party liaison committee that the party must re-assess its policies towards the unions, which have been largely unchanged since the 1970s.

Mr Mortimer argued that the party's pledge to repeal the Conservative Government's employment and trade union legislation should stay — but that it should not be replaced by the same type of legislation as Labour brought in during its period in Government from 1974-1979.

He did not argue for a particular policy, but instead laid out a list of options, which the two wings of the movement should examine.

These included increased individual rights at work and improvement in the immunities from legal action presently enjoyed by the unions; an expansion of action on "fair" wages and an overhaul of the employment tribunal system.

WIDER MARKETS SOUGHT WHEN STRIKE ENDS

Coal industry reshapes

BY JOHN LLOYD, INDUSTRIAL EDITOR

FAR-REACHING plans to restructure the management and production methods of the National Coal Board (NCB) have been broadly agreed by board members. They will be implemented when the strike ends.

They include:

- A marked decentralisation of authority and initiative to the NCB areas, with "profit" incentives to area and pit managers and greatly increased output incentives to face workers.
- A deep cut in the numbers of headquarters staff, with almost all of the functions moved out of London to the coalfields.
- Much more emphasis on diversifying markets for coal away from the Central Electricity Generating Board (CEGB) to new forms of coal use.
- External recruiting to middle and senior management posts.

The main thrust of the plans discussed by the board throughout the 51-week-old strike has been to lay the foundations for an industry much more in line with a conventional, modern business corporation than with the NCB which remains relatively cumbersome, and dependent on consensual management/union committee structures.

Ian MacGregor: changing the management structure

Mr Ian MacGregor, the coal board chairman, sees his task as one of completing the restructuring of management which he has already begun by pushing down power and initiative to his area and pit managers. These could have their salaries supplemented by bonuses based on the profits they achieve — or, in many cases, on reducing the losses they make at present.

The board has identified the coal face worker as the key operative in the industry, and believes that incentives should be set much higher than at present in order to obtain a production rate double the present level.

It has been impressed by the U.S. productivity rate, where faceworkers, earning around $40,000 a year, achieve output several times that of UK miners on similar faces with similar equipment.

The board acknowledges, however, that this would mean the pit union dropping its insistence on a rigid relativity between faceworkers and other workers, being instead prepared to accept that face workers, as the "aristocrats" of the pits, receive similarly aristocratic wages. Other workers would, by contrast, get wages determined more by the market.

The decentralisation of authority would not extend so far as to wholly devolve such functions as marketing to the areas — since it is recognised that the electricity industry's dominance of the board's market means that a central customer must be centrally serviced.

The board believes, however, that the 70 per cent of output at present taken by the CEGB will tend to fall, and is now urgently examining new coal markets. The twin possibilities of coal gasification and liquefaction, considered since the mid-1970s as potentially the biggest markets of the late 20th century and beyond, are now seen offering little prospect.

In their stead, the board believes that the use of coal slurry — coal dust carried in a liquid — could in time replace heavy fuel oil like diesel in uses such as ships' boilers. Careful consideration is being given to the possibility of carrying slurry in pipes from the pits to terminals. It is acknowledged that the major commercial use of slurry has yet to be proved.

The board's huge Hobart House headquarters, in London, tucked behind Buckingham Palace, is seen as a needless extravagance. Instead, it is envisaged that only the chairman, the finance director and a some essential office staff need to remain in London.

The board also believes that more managers should be recruited to middle and senior levels from outside the industry.

Surveillance claims rebuffed

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

OPPOSITION ATTEMPTS to force the Government to reply to allegations concerning MI5 (counter espionage) surveillance of nuclear disarmament campaigners and trade unionists continued to meet a stone wall of resistance at Westminster yesterday.

A call by Mr Gerald Kaufman, Shadow Home Secretary for an emergency debate on the issue was rejected by the Speaker, Mr Bernard Weatherill. At the same time the Government appears to be resisting behind-the-scenes pressure for a statement by Mr Leon Brittan, Home Secretary.

Labour members now fear that the Government may decide to institute action under the Official Secrets Act (which would render the whole matter sub judice) before the allegations can be fully aired in parliament.

The row began last week with the decision by independent television to ban the Channel 4 television programme 20/20 Vision after legal advice that the programme could involve a breach of Section II.

This centred on allegations by Miss Cathy Massiter, a former MI5 intelligence officer, that the security services had kept members of the Campaign for Nuclear Disarmament (CND) under surveillance around the time of the 1983 general election.

Some of the surveillance, she said, contravened MI5's own rules regarding freedom from political influence. As an example she cited the way in which information on CND activists' political affiliations, gathered by MI5, was passed to a special unit set up by Mr Michael Heseltine, Defence Secretary, three months before the election to counter CND propaganda, and used for what she claimed were party political purposes.

Bernard Tapie has risen fast via an unusual business strategy. **Paul Betts** reports

Bankruptcy specialist builds an empire

"THE PESSIMISTS think I will hreak my neck in five months' tima and the optimists say I'll probably break it in five years," M Bernard Tepie, the extrovert French entrepreneur who has built a FFr 6bn ($589m) conglomerate from a string of small and medium-sized bankrupt companies, recently told a group of middle-aged managers in Paris.

M Tapie often addresses business and student seminars. "I do about one a week," he says. On this occasion he rolled up in his Turho Porsche and immediately livened up the proceedings by his provocative business approach. "In France, you can either be regarded as a fool if you fail or you are suspected of being a crook if you succeed. I frankly prefer to be suspected." He then explained why he goes round preaching his business views. "I think you have to shake up the French mentality which regards profits as something rather sordid."

In recent months, M Tapie has become a French media star. He features on the covers of business publications and glossy magazines, rivalling at times the Grimaldi girls from Monaco for popular exposure. One moment he appears on television next to the French crooner Sacha Distel and the next in a documentary about the recession.

His name is always a lively subject of conversation at any business lunch. He provokes admiration in many people. Including cebinet ministers and a number of bankers and businessmen. But he also provokes doubts, envy and distaste among many others. "If I really were all the things I read about myself, I don't think I would ever want to go ont to dinner with the likes of me," he remarks.

In seven years, M Tapie has taken over 45 bankrupt French companies in sectors ranging from bealth foods to bathroom scales to television to ski bindings to jeans and high fashion. The turnover of his group has increased from FFr 5m in 1977 to about FFr 6bn last year. He says all the subsidiaries of his group make money. The group itself earned about FFr 135m last year. M Tapie has continued to expand by recenty acquiring control of Pile Wonder, the troubled French hattery manufacturer which will add another FFr 1.5bn to his group's total sales this year.

M Tapie's success largely rests on his mastery of France's complicated bankruptcy laws and a flair for picking up crippled businesses with recovery potential. "One out of every two companies that files for bankruptcy in France has no reason to die completely," he claims.

From a humbla background, M Tapie worked for several years as a business consultant specialising on bankruptcies after graduating from an undistinguished Paris engineering school and trying his hand both at motor racing and showbusiness. As a consultant, he says, he discovered that he could probably run companies far better than the managers and owners he was edvising. At the beginning he suffered some setbacks, inclnding the colourful affair in which he tried to huy and resell four chateaux belonging to the exiled Central African emperor Jean-Bedel Bokassa. But in restrospect, the Bokassa affair gave him huge media exposure at very little cost.

A compulsive communicator, M Tapia says he has always sought to gain the biggest possible exposure at the lowest cost. His decision to sponsor a professional bicycling team including Bernard Hinault, one of France's most popular sports figures and a past winner of the prestitigious Tour de France race, has helped give his group major marketing notoriety for some of its prodncts.

Bernard Tapie: a man in a constant hurry

M Tapie's technique is first to identify a bankrupt company in a sector were the competition's weak, since the recovery of the bankrupt concern will ultimately rest on its ability to compete in its market. "If a video tape recorder company went broke, I wouldn't buy it because the competition is too strong."

He then usually buys majority control of the company for a symbolic franc and draws up an agreement with the bankruptcy courts enabling him to freeze the concern's debts for two to three years. At the same time he negotiates a concordat with the banks to *consolidate short-term* debt into the longer term with repayments spread over 10 to 12 years following the 2—3 year grace period. He then starts to restructure the company, cutting back staff, improving production and launching aggressive marketing campaigns. In this he uses as much psychology as business techniques. His gift as a communicator usually enables him to secure very quickly union approval for layoffs.

M Tapie has now built up a series of divisions in his group which operate autonomously as long as they stay in budget and make profits. He has a health and dietetic food division grouping companies like La Vie Claire, Omnivizandes and L'Herbier de Provence. He has built up a bathroom and industrial scales division including Terraillon, a company he is now considering launching on the French secondary bourse market in the spring. He also has plans to float La Vie Claire on the secondary market in the autumn.

He is now seeking to strengthen his ski-binding subsidiary "Look" by expanding its product range. In the fashion business, he has taken control of Gres, one of the venerable French *haute couture* houses, but also of the distribution business of Wrangler jeans and casual clothes in France and the Benelux countries of the Mic-Mac sports wear concern and of Kickers, the shoe manufacturer. He has long had his eye on the large but troubled Boussac textile group, but says he decided not to put in a bid for the company because he would not have been allowed to lay off sufficient workers. With Pile Wonder, France's second largest battery maker which be snatched from a rival group including Banque Worms and Continental d'Entreprise (a subsidiary of the Swiss Electrowatt group), he is looking for a partner to strengthen Wonder's position in the market.

Indeed, M Tapie seems keen to negotiate a deal with SAFT, the battery subsidiary of the large French nationalised CGE group. Wonder had a loss of FFr 50m last year and M Tapie says it will report a profit of about FFr 50m this year after restructuring and the reduction of about 1,000 jobs out of a total of 2,400 jobs. He claims productivity has already sharply improved at Wonder.

Many of M Tapie's critics think that his conglomerate could fall apart as quickly as it was erected. They argue that M Tapie has benefited from the French bankruptcy system allowing him to freeze debts for a number of years, but as he accumulates more companies and more debts he will have to face eventually the day of reckoning.

M Tapie rejects these criticisms and suggests there are a lot of people just waiting for him to put a foot wrong. "They are often the same people who come to me with business proposals but who in public go around saying my businesses are not sound."

His companies are all meeting their debt repayment obligations in time, he declares. His group's total debts amounted to FFr 450m last year; this year will be added some FFr 600m debt from the recently acquired Wonder battery company. Moreover, M Tapie says he is now unlikely to buy up new companies in new sectors. Instead, he intends to concentrate in his current range of business activities which could, of course, involve new acquisitions. He is also looking with increasing interest at opportunities abroad, especially in the US.

M Tapie's conglomerate building appears to have entered into what he calls a "consolidation pause," but this is likely to be short lived. Youthful and good looking, he is a man who seems to be in a constant hurry. He now also has to live up to an image which has transformed him into a national figure. Only the other day Le Monde, the Paris afternoon newspaper, referred on its front page to a public opinion poll on the kind of government the French dreamt of. Apart from the usual crop of leading political figures, the poll suggested that the French would like to see in a government the likes of Yves Montand, the actor and singer, Commander Jean Jacques Cousteau, the marine expert, and Bernard Tapie.

BL price rises undercut rivals

AUSTIN ROVER, part of the state-owned BL group, will maintain an aggressive approach to car pricing this year, John Griffiths writes.

It announced an average price increase on its cars and vans of 3.5 per cent, well under the 4.1 per cent increase announced by Ford and 3.95 per cent announced by Vauxhall/Opel.

The effect of these increases, part of a general round of car price rises – is to make Austin Rover's 1.6L Montego, its main contender in the fleet car market £125 less than Ford's 1.6L Sierra, and the 1.3L Maestro hatchback £106 less than Vauxhall's Astra 1300L.

The price increase does not affect models already in stock, and Austin Rover said it would take "some weeks" for the increases to become fully effective.

The increases were announced as Austin Rover continued to trail behind Vauxhall/Opel in the car sales charts for the second month in a row. After 20 days of sales in February, Ford is leading the market with a 29.84 per cent market share, Vauxhall/Opel has 20.72 per cent and BL, which includes Range Rover sales as well as Austin Rover models, 15.51 per cent.

In January, BL had a 19.5 per cent share, compared with 20.84 for Vauxhall and 24.13 for Ford.

Volkswagen/Audi also increased its prices by an average of 3.5 per cent yesterday, while BMW (GB) imposed an additional price rise averaging 1 per cent, for which it blamed the fall in the value of sterling against the D-Mark.

□ CONSTRUCTION industry leaders are preparing detailed assessments of what the Government needs to spend on roads and other projects and the cost of creating jobs in the construction industry.

The Group of Eight – the heads of the construction industry's employers' organisations, trades unions and professional bodies – met environment ministers Mr Patrick Jenkin and Mr Ian Gow and Mr Peter Rees, the first secretary of the Treasury.

After the talks the Group attacked the Government's construction policies and described the Treasury's attitude as "disappointing and unrealistic."

□ IMPROVEMENTS to the Government's Insolvency Bill to protect shoppers who lost money when traders went bankrupt were urged by Mr Michael Montague, chairman of the National Consumer Council.

There was nothing in the Bill, he said, to stop the "incompetent or rogue trader who makes a practice of doing customers out of their money, liquidating the company, then starting up all over again under a new name."

□ CHANGES in the relationship between the Bank of England, the UK banks and their auditors are called for in a report by Grieveson Grant, the London stockbroking firm.

Mr Tim Clarke, the firm's banking analyst, said problems of accounting for Latin American debt and the recent Johnson Matthey Bankers crisis had created uncertainty over bank shares in the stock market.

He said the Bank of England and auditors should be free of the constraints, by changes in the law if necessary, which prevented them from communicating with each other.

□ BRITISH Caledonian will start services from Gatwick airport, London, to Jeddah and Dhahran in Saudi Arabia from March 31.

This follows approval by Saudi Arabia of the route transfer from British Airways under the UK Government's "route-swap" plan. In return, BA will take over BCal's South American network.

Plans for BCal to fly to Riyadh, the capital of Saudi Arabia, are still under discussion.

□ GEC High Voltage Switchgear is making 310 workers redundant at its Manchester and Stafford works and putting most of the remaining workers at Stafford on short time working.

The company, a subsidiary of the General Electric Company, said world demand for high voltage switchgear has dropped by about 50 per cent in the past three years. GEC, a relatively small supplier, had increased its market share, but not enough to offset the slump.

□ SHERPA vans worth £10m at showroom prices have been ordered from BL by the Post Office. The 1,000 vans, all with diesel engines will be delivered before November this year. Earlier this month the Post Office ordered 2,000 smaller disel Escort vans from Ford.

Thomson move may provoke tour price war

BY ARTHUR SANDLES

THOMSON Holidays, Britain's biggest tour operator, has launched a programme of 100,000 low-cost holidays to Spain for the summer. The action raises the prospect of a third year of price wars in the recession-hit UK travel industry.

The holidays represent a substantial reduction on normal Thomson prices, with a discount of as much as £144 on a two-week holiday. But there may be surcharges and there is no choice of hotel. Although the company has not directly cut the prices of its main summer programme, the move is unlikely to be ignored by its main competitors.

Mr John MacNeil, managing director of Thomson Holidays, said the Spanish market was down by about 30 per cent compared with 1984. He said the reasons were price increases, surcharges, the UK miners' dispute, the fall in the value of sterling, stories of violence in some resorts and a change in travel fashion. Holidays to Greece, Yugoslavia, Tunisia and Portugal had been selling well.

Intasun, the second biggest UK operator, said it was surprised by Thomson's decision. "All our divisions had a better booking period last week than they had a year ago," the company said. "We said that things would pick up late and they have. We still think there will be a shortage of holidays in the high season."

Intasun will respond by producing its own range of low-priced, early season offers. "These will not only be cheaper than Thomson's prices, but will include any surcharges," the company claimed.

Horizon, another big tour operator, said last night that it did not intend to reduce the prices of its main brochure holidays. Its brochure was relaunched last December to bring its 1985 summer prices into line with competitors.

The company said, however, that it would announce later this week the first of a series of special price offers which would be made through the season.

Hurd renews call for political talks on Northern Ireland

BY OUR BELFAST CORRESPONDENT

MR DOUGLAS HURD, the Northern Ireland Secretary, yesterday made a renewed appeal for political negotiations on a day when Unionist parties said that Mr John Hume, Leader of the Social Democratic and Labour Party, had slammed the door on talks by meeting the IRA.

Mr Hume secretly met IRA members in the Irish Republic at the weekend, but walked out after five minutes when the IRA said they wanted the talks recorded on videotape.

Mr James Molyneaux MP, leader of the Official Unionist Party, and the Rev Ian Paisley MP, of the Democratic Unionist Party, said they had warned Mr Hume that he would be jeopardising planned planned inter-party discussions and they now saw no point in talking to him.

Douglas Hurd: 'Inescapable need for discussion'

Mr Hurd said an upsurge in IRA activities in the past week had reinforced the need for political dialogue. It was hard to see how devolution could be achieved unless the constitutional parties were prepared to discuss how political normality could be restored.

"The timing and the mode of discussion can be considered but there is an inescapable need for rational discussion between those who lead the constitutional political parties," he said.

The IRA activities emphasised that it was pointless to talk to people so irredeemably dedicated to the cause of violence. It was also clear that a normal political process could prosper without a robust security policy directed towards the complete eradication of terrorism. This policy was constantly being improved. It was within the law and answerable to the courts, he said.

Brendan Keenan writes: Security forces in Northern Ireland are assessing the implications of the capture of two Belgian-made FN rifles and a Ruger rifle after the shooting of three alleged Provisional IRA members in Strabane, County Tyrone, at the weekend.

The guns are not part of the usual IRA armoury and their discovery follows reports that the IRA is dissatisfied with its traditional weapon, the U.S.-made Armalite.

The provisionals apparently believe that the modern body armour, or flak jacket as it is commonly called, issued to troops and police is capable of stopping a bullet from the high velocity Armalite, which is based on the U.S. Army M-16 rifle.

The Armalite fires a 5.56mm round, but one of the FN rifles found at Strabane was of the heavier 7.62mm calibre. The IRA may be looking for weapons which are more effective against the latest body armour, although it was emphasised yesterday that the British Army is exchanging its present 7.62mm self-loading rifle for a 5.56mm weapon.

Provisional sources claim that in some recent attacks, members of the security forces were hit in ambushes with Armalite rounds but got to their feet afterwards, shaken but apparently not injured. The Army would make no comment on the claim.

The IRA is known to be short of weapons and supplies at present, although the Strabane haul also included armour-piercing grenades of a kind not discovered before.

Electricians' union will teach skills to Chinese students

BY PHILIP BASSETT, LABOUR CORRESPONDENT

CHINESE STUDENTS are to be trained in electronics and computing skills by the Electrical, Electronic, Telecommunication and Plumbing Union (EETPU) in what is thought to be the first venture of this kind by a UK trade union.

Two senior officials of the EETPU will leave for China on Sunday to complete arrangements for what Mr Eric Hammond, the union's general secretary, described yesterday as a "unique initiative in the efforts to improve trade and relations between Britain and China."

Although training of students and employees from non-UK countries, including China, is commonplace among British companies and universities, no UK union is believed to have taken such a step before.

Mr Dave Rogers, head of the union's technical training, who will be leading the Chinese trip, said yesterday: "Why shouldn't unions be closely identified with something in the interests of their industry, and of their country?"

Under arrangements worked out between the EETPU and the All-China Federation of Trade Unions, a group of 24 Chinese students, all technical personnel, will receive eight weeks of specialised training with the union.

The first students will arrive in May. So far, 30 students have passed a preliminary examination to take the course, and part of the purpose of the union's visit to China is to make the final selection.

For the first four weeks, the students will be taught a range of new technology skills at the EETPU's training centre at Cudham, Surrey.

Two weeks' on-the-job training will then follow with organisations which have an interest in exporting to China. The EETPU hopes to include the Central Electricity Generating Board, GEC, ICI, Ford and Land Rover. Two further weeks at Cudham will end the training.

Recent Government links with China have included a visit by Mrs Margaret Thatcher, the Prime Minister in 1983, an industrial trade mission led by Lord Young, Cabinet minister with special responsibility for employment, and an agreement on space technology collaboration.

Mr Hammond said the venture was not one of exclusive concern to the union. "Our hope is that this practical international help will make its contribution to improved trade and relations between Britain and China."

'Abuse of power' by food retailers

By Carla Rapoport

BRITAIN'S food manufacturers yesterday accused food retailers of "abuses of commercial power."

Sir Derrick Holden-Brown, chairman of Allied Lyons and president of the Food Manufacturers' Federation (FMF), said at yesterday's annual FMF conference: "There is a need for some clearer rules in order to protect the interests of everyone involved in the food chain."

The Office of Fair Trading is at present investigating claims that food retailers exert unfair pressure on their suppliers.

"Our preference would be for clearly-spelt-out practices which all parties voluntarily abstain from using, in the knowledge that they are liable to be investigated if they do use them," said Sir Derrick.

Sir Derrick said that these practices include the arbitrary dropping of branded products from supermarkets, extending payments beyond the terms of suppliers' contracts and indulging in promotional price-cutting of branded products.

On the food sector in general, Sir Derrick said that the industry was still 20 per cent less competitive than its EEC competitors, in terms of unit labour costs, in spite of the fall of sterling.

He said there was little prospect of real growth in the food sector in the next year, but companies "should move quickly to take advantage of shifting consumer tastes within the market."

Andrew Gowers writes: Environmentalists are today stepping up their campaign for tighter controls on the supply and use of agrochemicals, with the publication of a report detailing 103 allegedly damaging incidents involving pesticides.

In the report, sent to MP's preparing for the second House of Commons reading of the Government's Food and Environment Bill, the conservationist group Friends of the Earth presents extensive evidence of illness apparently caused by intensive pesticide spraying.

In several cases people were reportedly forced to move home to escape pesticides, and in more than 12 instances pesticides are said to have caused the death of domestic animals.

The report blames the rapid growth of intensive industrial-style agriculture for increasing chemical damage to the countryside. It is particularly critical of intensive crop spraying from the air, and claims that present controls over aerial spraying are "inadequate and frequently unenforced."

It also says that the chemical industry's existing voluntary controls over supply of pesticides – known as the Pesticide Safety Precautions Scheme – is being violated on a large scale.

Company Notices

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
(Incorporated in the Republic of South Africa)

DIVIDEND No. 99
ON SHARE WARRANTS TO BEARER

Pursuant to the Notice published on 21st December, 1984 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 7th March, 1985 is 1 Rand or 100 cents equals 44.273019p United Kingdom currency. The gross dividend payable by the United Kingdom Paying Agents is therefore equivalent to 265.6361p. Holders of Share Warrants to Bearer are informed that payment of Dividend No. 99 will be made on or after 8th March, 1985 upon surrender of Coupon No. 99 at the London Bearer Office of Hill Samuel & Co. Ltd., 45, Beech Street, London EC2P 2LX.

	Amount Payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	265.6381
Less South African Non-Resident Shareholders' Tax of 15%	39.8457
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	225.7924
Less: United Kingdom Income Tax at 15% on the gross Dividend (See Notes 1 and 2 below)	39.8457
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	185.9467

COUPONS must be listed in duplicate on forms obtainable from the London Bearer Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

BARNATO BROTHERS LIMITED
London Secretaries
D. R. Frith
Secretary

99, Bishopsgate,
LONDON EC2M 3XE.
25th February, 1985.

NOTES:
(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 265.6381p.
(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the standard rate of 30% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
DIVIDEND No. 118

Pursuant to the Notice published on 23rd January, 1985 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 8th March, 1985 is 1 Rand or 100 cents equals 44.273019p United Kingdom currency. The gross dividend payable by the United Kingdom Paying Agents is therefore equivalent to 88.5460p per share.

Holders of Share Warrants to Bearer are informed that payment of Dividend No. 118 will be made on or after 11th March, 1985 upon surrender of Coupon No. 118 at the London Bearer Office of Hill Samuel & Co. Ltd., 45, Beech Street, London EC2P 2LX.

	Amount Payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	88.5460
Less South African Non-Resident Shareholders' Tax of 13.10%	11.5995
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	76.9465
Less: United Kingdom Income Tax at 16.90% on the gross Dividend (See Notes 1 and 2 below)	14.9643
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	61.9822

COUPONS must be listed in duplicate on forms obtainable from the London Bearer Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before the payment is required.

BARNATO BROTHERS LIMITED
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WILLIAMS & GLYN'S (NEDERLAND) B.V.
U.S.$100,000,000
11% GUARANTEED BONDS 1993
NOTICE IS HEREBY GIVEN that copies of the Annual Report and Accounts of Williams & Glyn's (Nederland) B.V. and of the Royal Bank of Scotland Group PLC for the year ended 30th September 1984 are available from the Paying Agents to the issue.
Signed
WILLIAMS & GLYN'S (NEDERLAND) B.V.

Art Galleries

WILLIAM DRUMMOND at BURY STREET GALLERY, 11, Bury Street, W1. Exhibition of Early British Watercolours.

UK NEWS

Savings riddle over abolition of the GLC

By Robin Pauley

WILL THE abolition of the Greater London Council save anybody any money? As the Government's resolve to push ahead remains firm and the execution time of midnight on March 31 1986 draws nearer, this question becomes harder rather than easier to answer.

As more and more of the complex financial issues unravel, the most optimistic assumptions about savings have been scaled back. Indeed, it now seems that, whatever the political merits and demerits of abolition, the financial result could be minimal savings or, perhaps, no savings at all unless, a book published today* suggests, some service cuts or "policy" savings are also introduced.

When Mr Tom King, former Environment Secretary, published the first estimate of possible savings in May 1983, he thought the savings eventually accruing from abolition of the six English metropolitan county councils and the GLC might rise to £120m and 9,000 jobs, with first-year transitional and redundancy costs of between £20m and £70m. Civil servants warned him, however, that any estimate would be a hostage to fortune and the chances were that these back-of-an-envelope figures would be badly wrong.

In October 1983, therefore, (by which time Mr Patrick Jenkin had become Environment Secretary) the White Paper on abolition, "Streamlining the Cities," carefully avoided any estimates, saying simply "It will save money, after some transitional costs."

It quickly became clear that the already controversial proposals were not going to enlist the support of commerce and industry or Tory local and central government politicians unless savings could be promised. So when the Local Government Bill was published last November the financial memorandum said annual savings of around £100m a year would be achieved although there would be heavy transitional costs including £40m redundancy payments in 1986-87. Local authority manpower would fall by 8,000.

The Government's view is that about 50 per cent of the total figures apply to the GLC.

The target of £50m savings from the GLC represents only about 5 per cent of the council's £1bn annual current spending. Nevertheless, in these days of tight public spending limits and penal London rate bills, any savings would be widely welcomed, particularly by commercial and industrial ratepayers. If they could be achieved through less duplication, higher efficiency and no service cuts, so much the better.

To meet the Government's targets, some 4,000 GLC jobs would have to be lost. The GLC employs 22,000 staff and contrary to the popular public image of an overblown bureaucracy only 8 per cent of staff are administrative and managerial, with another 13 per cent in clerical grades. On average, around 60 per cent of local government expenditure goes on personnel costs including pay, but only 17 per cent of GLC expenditure goes this way. So each GLC employee costs about £7,700 a year and total employee costs are £170m.

If 4,000 GLC jobs could be cut, it would save about £30m annually, in years after the impact of redundancy pay. But how could these jobs be saved when no functions are to be lost? A third of all GLC jobs — 7,000 — are in the fire-fighting service and they must be assumed to continue or increase. This means the 4,000 would have to be found from the remaining 15,000 employees — a cut of more than 25 per cent.

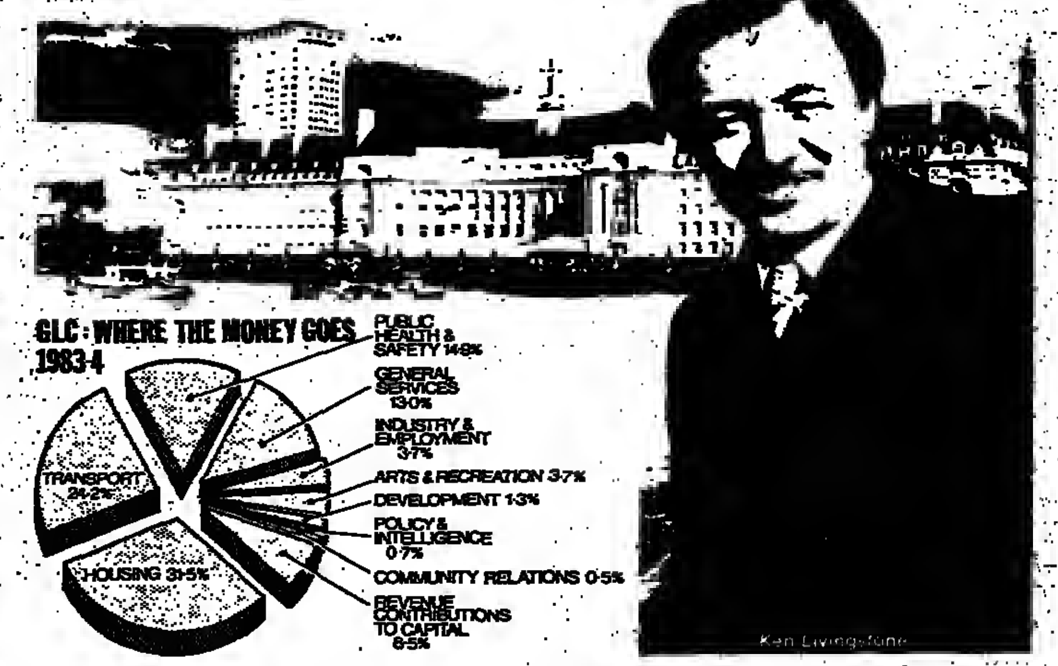
After fire-fighters the four largest groups of employees are professional and technical staff — architects, surveyors, engineers etc (3,875); clerical staff (2,828); specialist staff — computer programmers, work study staff etc (1,925) and workers in support services — cleaners, catering, etc (1,350).

As all the new joint boards and quangos which will take over most of the GLC services after 1986 will need their own administrations it is difficult to see how most of the employee groups will be able to shed many staff. The London boroughs may be able to absorb part of their extra workload with existing staff but the lion's share of the GLC—around 70 per cent by expenditure—is not going to the boroughs.

As the Inner London Education Authority is to survive but become a directly-elected body, it is likely to remain at County Hall, which the Government was at one time hoping to raise £100m by selling. It is likely therefore that, to minimise new costs as well as for continuity, many of the new bodies will also be housed in County Hall.

The only scope for major redundancies appears to be in the professional and technical staff sector.

But the Government's target is not as wild as critics suggest.



Ken Livingstone

If half of all these planners and architects were to go plus 10 per cent of all categories other than firemen, tha target would be met. On the other hand, as transitions always entail many extra man hours, a more realistic assumption might be a cut of balf this target, or 2,000 jobs, to save around £15m, against redundancy costs of more than £20m in the first year.

What of other savings? The 1983 Conservative Party manifesto said: "The metropolitan county councils and the Greater London Council have been shown to be a wasteful and unnecessary tier of government."

Clearly, there is not much to be saved from "unnecessary" services because most of the functions have been found necessary enough to be retained in one way or another. "Wasteful" offers more scope. As we have seen, the scope for bureaucratic savings is smaller in the GLC than in most councils because the proportion of bureaucrats is low.

Nevertheless, there is a widespread perception that some of the GLC activities through, for example, the controversial grants programme to minority groups, amount to frivolous or political expenditure. Most of that "controversial" spending is funded from tha product of a 2p rate which all councils are allowed to raise for their own purposes. This produces £40m for the GLC. As a large number of grant-aided organisations will clearly continue after abolition, perhaps £20m of this could be saved.

With this £20m, and perhaps £15m to £20m from job cuts, the Government targets look far from wild on the surface. But from here the argument about costs and savings becomes more difficult and often politically motivated. Lady Porter, Conservative leader of Westminster City Council, for example, claimed in January 1984 that abolition of the GLC could cut Westminster's rate bill by £45m and London's total rates bill by £274m, while the average rate in the pound in the capital could fall by as much as 19p in the pound. At the same time Mr Maurice Stonefrost, director-general of the GLC, estimated that its abolition could cause a rate rise of between 10 and 17p in the pound. The Labour Party estimated that rate rises would be needed in 25 out of 32 London councils.

It is this part of the argument which is crucial for the Government. Whatever the political arguments about "abolishing" Mr Ken Livingstone, the Government, already facing extreme difficulties in getting the Bill through Parliament, is anxious not to be seen to have piled agony on to the painful London rate burden in 1987, one year after abolition and shortly before the next general election.

There are more practical and severa problems of cost which are only now emerging from the extremely complex implications of abolishing the GLC for the taxpayer and ratepayer.

The GLC bas loan debt of aronnd £2bn but has pursued a policy of funding a rising proportion of its capital expenditure through an internal capital fund. The proportion is now 25 per cent and around £130m a year is repaid to the fund from internal sources such as rates. This finances new capital and avoids expensive calls on the market. After abolition these internal payments will cease, although the successor authorities for the GLC capital programme will still need to seek funds in the market. The Treasury is taking seriously estimates that this could increase public borrowing in the medium term, i.e. five years, by between £750m and £1bn. This scale of cost, although not a direct ratepayer cost, dwarfs the possibla small savings outlined above.

But there is a yet worse difficulty, identified by Lady Porter's own officials. It could destroy her hopes of a year ago for her council's ratepayers.

The very complicated problem is this. The Cities of London and Westminster are so wealthy in highly rated commercial property that they jointly give about £70m to be shared out among other, less wealthy inner London boroughs. Their domestic ratepayers are insulated from the effects of this transfer but it costs non-domestic ratepayers about 8p in the pound.

After abolition, a new problem of unequal resources arises throughout Greater London which the Government proposes to resolve by increasing this shareout to cover inner and outer London. A third borough, Kensington and Chelsea, will become a contributor and the burden will also be shared by domestic ratepayers. This heralds a substantial increase in the rate burden for domestic and non-domestic ratepayers right across the Tory heartland of central London.

This equalisation problem could be a major burden for commerce and industry. A large West End store, for example, with a current rate bill of £1.4m, pays £72,800 towards equalisation. Under the new proposals this would rise to between £200,000 and £280,000. The burden falls across the key commercial centre of London—the City, Westminster and Chelsea.

So, within all these complexities, it appears that some boroughs might gain a little and few might lose a lot from abolition. Overall major net savings look unlikely and a lot of luck and improved efficiency might be neded just to keep the overall costs of "running" London at the sama real level as under the GLC.

As the issues become clearer and more detailed explanations appear for the unlikelihood of savings, the Government could find itself compelled politically to ensure that rate bills appeared to fall. But it would then have to consider the Treasury's view put forward internally last year that savings were unlikely withont very major cuts in local government manpower, which in turn means big cuts or elimination of some services, a political thorn yet pricklier than abolition itself.

Beyond Our Ken, an analysis of the GLC abolition controversy, by Robin Pauley, Stewart Lansley and Andrew Forrester, published today by Fourth Estate, £4.95.

THE ARTS

Visual arts/By William Packer

Provincial initiatives

It is a constant and fair reproach to me that, giving too much space and time to the exhibitions and work to be found in London, I allow the many fine things going on elsewhere to pass virtually unremarked. It is indeed a problem. Every New Year I resolve to travel more, and certainly to try to catch the major show on tour before it ever comes to London. Every year soon, too soon, I am overtaken and embarrassed by events, caught up by the Renoirs, Chagalls and St Ives's, as it were, of every season, and even Oxford or Bristol or Brighton or Southampton seem an impossible world away.

The horror is that not one but all four of the major shows I cover today, though now in London, are in every respect the creatures of provincial initiative, and there is yet another (the Peter Greenham at the Royal Academy) that I must hold over for a week or two. And of those five I admit that three were set up by the admirable Museum of Modern Art in Oxford, and a fourth was shown there only last month.

This little game of odd man out happens to have five answers, but the one I take today is simple enough: all the work, so different as it is in kind, comes from abroad, and each show offers us a definitive and scholarly view of its subject. If our cultural insularity is notorious, it is only fair to say, for the visual arts at least, that it is not the deliberate fault of our great institutions. Though their spirit is willing, too often their wheels are well directed rather than well oiled, and roll exceeding slow. Here we have small and independent organisations working in the same field with conspicuous energy, discretion and intelligent opportunism to bring us exhibitions that would not disgrace the grandest, most prestige-laden museum in the world, and yet are pertinent, enlightening, and break new ground.

Oxford's three initiatives may be taken in turn, if only to demonstrate the scope of such activity, and by implication the nature of the opportunity. Perhaps most remarkable of them is *Art Into Production*, an exhibition of Soviet ceramics, textiles and fashion of the period immediately after the Revolution (at the Crafts Council Gallery in Waterloo Place until April 28—sponsored by Courtaulds PLC, the Visiting Arts Unit and the GB-USSR Association) which the Museum of Modern Art arranged with the help of the Crafts Council and the Russian Ministry of Culture, and which at its London inauguration Lord Gowrie declared to be, in his view, the most exciting show he was likely to see this year.

That is a large claim, but one not altogether beyond argument, for we in the West have long known and celebrated that short euphoric interval as perhaps unique in modern history, when the most radical and adventurous of artists were drawn for a brief moment into the centre of everyday affairs, even influencing and directing them to a degree, certainly accepting a clear social role and receiving general support for their art in turn. But artists, if true to themselves, are unbiddable and thus subversive; and the moment passed. It is only in the past few years that the Russian cultural establishment has come again to realise a critical confidence in the created vigour of that time, in all its manifestations in the fine and applied arts.

The fine art we know well enough, and now here at last is the design in significant quantity, charming, decorative and exciting by turns, the textiles especially striking in their gaiety and socialist fervour, the ceramics at once loyally figurative and descriptive, with yet the principled simplicities of constructivism adapted, yes, but not compromised. The British Council is to reciprocate by sending an exhibition of modern British studio pottery to Russia next year.

The second show, *Tradition and Renewal* (at the Barbican until March 31) is again of work from the Communist bloc, and again of material never seen here before. East Germany has taken part in the past two Venice Biennales, and though we no longer expect any such official endorsement of art from a Communist state to mean mere Socialist realist propaganda, even so the raw, ambiguous power, the incipient violence in the painting shown in 1982 came as something of a shock. Last year the surprise had gone, but most certainly the authority remained, and it was quite clear that some of the most extraordinary and vital of contemporary painting was being done on the other side of the wall.

This show covers something of the same ground, but is not confined to it, and it says much for the percipience of David Elliott (who is director of the Museum of Modern Art) and his independent eye, that at the suggestion of the East Germans he began his work on the project in 1981 and his show opened coincidentally with Venice last summer.

The work is all figurative, and the tradition to be discovered is the obvious one of expressionism in its several strains, whether of Grosz and Dix, or Beckmann, or the Neue Sachlichkeit of Schad and Schlicter and Hubbuch, or the direct, fearful scrutiny of Schiele. Volker Stelzmann's hard realism is most impressive, and so, too, the domestic tableaux of Sighard Gille, so close in sympathy and spirit to Beckmann; but I was especially taken by the life paintings and drawings of Hubertus Giebe, whose bleak, unblinking consideration of the human condition is as shocking as it is profound. And there is Werner Tübke who, in his strange way, stands quite beyond any categorising, his weird imagery so sharply realised going back beyond expressionism into symbolism, even to neo-classicism and further still to Dürer, Holbein and the northern realism of the Renaissance. He might well be a great artist.

Three Women from Cefalu — by Werner Tübke

Show three is a retrospective of the work since 1958 of the American photographer, Duane Michals (at the ICA until March 17, then on to Watershed, Bristol; John Hansard, at Southampton University; Bluecoat and Open Eye Galleries, Liverpool). It is as irritating as it is engaging, for Michals is a natural wit, and a consummate craftsman besides, who directs and twists and teases our perceptions of what he does in the nicest ways. Yet his texts, often undisciplined and self-indulgent, do topple into bathos on their own and sometimes work against the images they are intended to support. The most successful photo-sequences therefore, are those most succinct or impassive in their texts, or entirely self-sufficient: the Prodigal Son, or the Fallen Angel sequences, for example.

But Oxford has no monopoly of virtue, and the other major show at the Barbican, *Munch and The Workers* (until March 31; then to Edinburgh, Belfast and Liverpool) is the achievement of the Newcastle Polytechnic Gallery, with the help of some 25 sponsors. The work comes from Oslo, from the Munch Museum and the National Gallery, and consists for the most part of drawings studies and unfinished canvases, large and small, that broadly engage with the subjects of everyday life, the work of the fields, streets and building site. It is easy to read to much into this material of the dignity of labour, but the delight of it all is in the insight it gives into the work of the artist himself, picking up and testing each formal idea with all the rapid and fresh enthusiasm of the moment.

And finally a word of other shows, two in the other galleries at the ICA (until March 17), Tim Head's light and sound installation, and a special word for the work of a young Japanese painter, Shinro Otake, whose dense collage notebooks are very strong and lively stuff. Also, apropos St Ives last week, I omitted to mention the show of art from St Ives at Michael Parkin in Motcomb Street, which completes the Belgravia triangle of such things at the New Art Centre and Montpelier Studio.

A Tale of Two Cities/Worcester

B. A. Young

John Doyle has made a new adaptation of Dickens's book for the stage, the latest of four versions I know of, and himself directs it at the Swan. He has been less concerned with telling a clear story than with reproducing the authentic feel of the book, so he has incorporated chunks of the Dickensian narrative, whether or not it is concerned with the plot. Naturally, we start with the first two paragraphs ("It was the best of times, it was the worst of times"), and at the guillotine we get not only the last two lines ("It is a far, far better thing") but almost the whole page of Sidney Carton's prophetic thoughts, with "I am the resurrection and the life" as well.

I think his objective is mistaken. The story comes through clearly, but it is deprived of excitement. Short scenes follow each other without the central relevance, as in the book. An ingenious set design by Chris Croswell can produce changes of place in an instant, as trucks swing on; when we need Defarge's wine shop, 105 North Tower, the Old Bailey, the Darnay's London home, there they are as soon as Dickens says so, even if the onward narrative flow is diverted. Only now and then, as when poor Lucie is asked to say things like "Sadly, sadly, the sun rose," did I feel that homage to the text had gone unpardonably far.

Darnay and Carton are both played by Paul Hegarty, with occasional help when they are on stage together. There is little scope for deep characterisation, and anyway most of the house will have characterised them for themselves, but the contrasted dispositions are nicely marked. Lewis Cowen as Dr Manette can't hope to be more than a genteel wrinkly with a French accent, or his daughter Lusie (Hilary Cromie) anything but a pathetic young lady with golden hair. The two Defarges, Alex Knight, a polite but sinister Monsieur, Jacquie Crago a reserved and even more sinister Madame, offer some useful individuality, and Madame ends with a glorious tussle with Miss Pross.

Naturally, there is much doubling in the numerous small parts, done with great despatch and not too much intention to make them memorable. Mary-Ann Coburn moved me with the seamstress words on her way to execution, and two of the ever-available players, Mark Rees who was usually Barsad, and Bryan Kennedy, who was almost anyone, pleased me.

The sack of the Bastille, dealt with at first by running commentary, develops heroically, with a couple of field guns firing who knows where. Defarge, who generally serves his customers in silver mugs, serves them now with guns and pick-handles instead as they rush to join the mob. Some of Dickens's very horrid horrors are left in and there is melodramatic mood-music, culled from unexpected composers such as Bartok, Stravinsky and Carl Orff.

Seven Brides for Seven Brothers

Martin Hoyle

Last year it fell to York's Theatre Royal to give the British stage premiere of *Seven Brides for Seven Brothers*. Michael Winter's production has returned to the shadow of the Minster before a national tour that this week finds the show in Birmingham.

Johnny Mercer's lyrics and Gene de Paul's music sound as robust and fresh as they did in the now classic film. The story of bucolic wooing in the pioneering West kicks off immediately with two evergreens, "Bless Your Beautiful Hide" and "Wonderful, Wonderful Day"—the latter surely one of the best of exuberantly romantic waltz tunes.

The new songs written by Al Kasha and Joel Hirshhorn for the film's eventual translation to Broadway are less catchy and serve to emphasise how even the zippiest stage production is less flexible than the fluidity of cinema. And feminists may react ambivalently to the spectacle of the little women winning out over boorish masculinity, for Milly, the ringleader, does so only through the traditional feminine virtues of spreading sweetness, light and refinement (not to mention opportune childbearing). She never wavers from the loyalty tunefully affirmed in "One man."

Bill Pinner's basic set answers the challenge posed by memories of camera-work and film-editing by swivelling, meeting and dividing in nifty suggestion of small-town street, barn and farmhouse. The beaming stage crew—"more than they have at the National," gasped one colleague, saving Sir Peter's presence — rightly took a curtain call.

Stephanie Carter's choreography has a brave shot at emulating the Eddie Kidd perfection of MGM. The unfailing energetic young cast musters up the ebullience for an exciting show-down at the town social when the mountain boys and the townfolk turn a polite dance into a brawl. Accents are variable, occasionally verging on the Australian, and not all the singers match the principal couple. Steve Deveraux's faintly glum hangdog air works against his potential stage presence and firmly confident singing. Roni Page's Milly has the wholesome gleam of an adult Olivia Newton-John; her voice is sweet without being chirrupy, her personality, packing a cheerfully perceptive punch, is bright without tweeness.

The Golden Legend/Elizabeth Hall

Arthur Jacobs

"I think this is the best thing I've done, don't you?" said Arthur Sullivan in presenting a copy of *The Golden Legend* to Ethel Smyth, who felt compelled to tell him that in her opinion his masterpiece was *The Mikado*. History having declared itself on her side, *The Golden Legend* has fallen into the dustbin alongside countless cantatas and oratorios by other, less interesting Victorian worthies. But next year, to celebrate the centenary of the work, Sir Charles Mackerras will direct a performance at Leeds, its birthplace; and on Sunday a modest revival by the Chelsea Harmonic Society (amateur choralists plus the professional New Symphony Orchestra) was said to be the first such London revival for about 40 years.

Though framed by Christian moralising, it is in effect an opera for the concert-hall. There are six clearly located scenes with prologue and epilogue, complete with stage directions such as "Struggles at the door, but cannot open it"—accessible to Victorian audiences in their printed programmes, though omitted on this occasion. The mysteriously sick German prince and the "pure" peasant maiden willing to sacrifice herself for him make less impression than the character of Lucifer, an agreeably humorous devil-like Mephistopheles in another Victorian favourite, Berlioz's *Damnation of Faust*.

Unfortunately Sullivan's librettist, the music critic Joseph Bennett, fudged the drama. Worse, the composer, free of what he considered the "fetters" of Gilbert's close-worked rhymes and insistent metres, lapsed into a spineless idiom. Some unusually adventurous chromatic harmonies proved to be of merely incidental interest. Two decently worked-up choruses, an attractive duet (not far from Savoy style), and a good prayer-solo for the heroine can be picked out for moderate praise.

Edward de Rivera, conducting, mis-timed the interval: it comes more effectively after the first of the big choruses, not after a quieter, earlier scene. He directed a cautious performance, perhaps the only possible kind with a single orchestral rehearsal. John Noble, that stalwart of so much of the English repertory, commanded the platform as Lucifer (and also sang the minor role of the forester). Wynford Evans gave a mostly pleasing account of Prince Henry's part, but neither the topmost nor the lowest notes of Elsie's part suited Una Barry. Morag Nicholson made the mother's part even duller than Sullivan left it.

Mr de Rivera did not trust his choir (the Society's own singers plus those of Farlington School) to sing the once-famous "O, gladsome light" unaccompanied. But they did well, and a sufficient audience of Sullivan devotees gave the work a cordial reception. Now who will revive that oratorio whose Victorian popularity Sullivan sought to challenge—Gounod's *Redemption*?

The Real Nutcracker

Clement Crisp

Were it possible to invoke the Trades Descriptions Act for ballet performances—and I fervently wish it were—the majority of stagings of Chaikovsky's holy trinity of *Sleeping Beauty, Nutcracker, Swan Lake* would be well worth prosecuting for their sheer effrontery in disregarding the steps and scores they purportedly offer. The cry made to the public by ballet companies is, of course "Never mind the authenticity; feel the title!", and the public thus cajoled accepts distortion, reshaping and "arrangement" in stagings as wildly unjust to their originals as they are inept in manner.

Just what was created at the Mariinsky Theatre in St Petersburg by Chaikovsky, Petipa and their associates is the matter of Professor Roland John Wiley's fascinating, scholarly study of *Tchaikovsky's Ballets* (Clarendon Press, Oxford, £28.50). By using first sources, original texts; by ferretting out the violin *répétiteurs* in Soviet archives and scrutinising the Stepanov notations used by Nikolay Sergueyev at the Mariinsky, which he brought with him to the West after the 1917 Revolution; by ascertaining what music was actually performed rather than what was published; by collating Petipa's notes, conductors' scores, reviews and contemporary commentary, Professor Wiley has given us as clear an account as is possible of these ballets in their first performance. Set against this research is a no less significant aspect of the works: a musicological analysis of the scores which indicates the exceptional organic, formal strength and wealth of dramatic and emotional detail to be found in Chaikovsky's ordering of key, melody, orchestration.

Thus we can savour the noble arch of *Sleeping Beauty*, the subtleties of *Nutcracker*, and the skilled editing of *Swan Lake* in 1894-95; which no producer or ballet company today — and certainly no theatre orchestra in performance — ever lets us fully appreciate. With additional material relating to the ballet public and balletic conventions of Chaikovsky's time, and with a survey of *Swan Lake* in its first, mismanaged Moscow staging, we have a thorough and most valuable assessment of the ballets on musical and theatrical terms. So, at a time when companies East and West propose either radical recensions or stagings of illusory authenticity, with layer upon layer of musical and choreographic palimpsests passed off as the Tablets of the Law, Professor Wiley indicates what is acceptable, credible in matter of musical and production values.

His book, a testament of scholarship essential for an understanding of these ballets in their unclouded greatness, is an invaluable source for correction and improvement of the works in performance today. Ignorance, caprice, the insolence of producers, which have so deformed and traduced these masterpieces in our time, can be challenged and checked: we owe Professor Wiley a great debt of gratitude.

I due Foscari/Parma

William Weaver

After sitting through some lacklustre performances at La Scala (the revival of *Il barbiere di Siviglia*, which I saw a few weeks ago, does not bear mentioning), I was doubly happy to attend, at the Teatro Regio here a new production of *I due Foscari*, mounted with care but without foolish display, and executed thoughtfully and feelingly. Until a few years ago, Verdi's sixth opera was one of his least heard, even in Italy. To explain this neglect, while other early Verdi works were boldly returning to the repertory, Verdi's own complaints about the piece were repeated. He found *I due Foscari* too uniformly gloomy, monochrome. But Verdi's judgment—in the light of recent productions of the piece—seems too harsh; and modern audiences obviously can take a fair amount of gloom.

In any case, the dark story is pierced by one shaft of brightness, the festive opening of Act 3; and the Parma staging (by the well-known Italian actress Anna Proclemer) made the most of this change of mood. For the rest, the many scenes—in prison, in the Council Chamber, in the Doge's apartments—made use of some fixed elements, cleverly enhanced by drops and a minimum of furniture, to allow the action to move swiftly. Proclemer indulged in no tricks or gimmicks. With relief, the spectator could concentrate on the singing. The appropriate costumes, by Tita Tegano (also responsible for the sets) were a further help.

The Orchestra Sinfonica dell' Emilia-Romagna "Arturo Toscanini" is no rival to the virtuoso orchestra of La Scala, but it played with admirable accuracy and suitable Verdian fire; and the frequent exposed writing for solo winds found players up to the challenge. The Dutch conductor Hubert Soudant, here making his opera debut, proved a genuine find: he grasped and held the Verdian drama, but he didn't flail the life out of it.

The two Foscari were Renato Bruson and Veriano Luchetti, the same pair heard a few months ago in a moving *Macbeth* in Naples. They were no less moving here. Bruson is even more convincing as the noble, defeated Doge than as the Shakespearian general; and Luchetti, who goes from strength to strength, has turned into the ideal early Verdi tenor.

The role of Lucrezia is difficult, even ungrateful, and the Russian soprano Galia Kalinina could not fulfil all its requirements. The coloratura writing, for one thing, was beyond her (and so, for a second thing, was the Italian language). But the voice has power, and it rang out, true and clarion, in the ensembles, cleaving the big choruses like the prow of a ship. The smaller roles were well assigned, and—as Loredano—the veteran bass Luigi Roni cut a fine figure.

Like most Italian opera houses, the Regio has had its troubles over the past years (not least, an earthquake which weakened the structure). Now it is bravely rebuilding—the restoration continues during the season; masons and singers pass at the stage entrance—and is reasserting its position

Duparc/St. John's, Radio Three

Andrew Clements

The 11 songs of Henri Duparc's maturity make as perfectly satisfying a lunch-time programme as they do a single LP record. Yesterday's BBC recital at St John's, Smith Square, brought the Dutch baritone Ruud van der Meer to sing them, accompanied by Rudolf Jansen. His light, highly flexible voice and most careful attention to verbal detail are well suited to these songs; he is never inclined to press too hard.

Sometimes, possibly, the result is a shade too plain. In a few songs more buoyancy and variation of tone could have been profitably employed: "L'invitation au voyage," which opened the recital, might have been floated with more delicacy had it been placed later in the programme, when Mr van der Meer would have gained the full measure of the hall. But in every case the mood of each setting was caught exactly.

Mr Jansen accompanied with his usual tact and musicianship and also contributed one of Duparc's *Reveries* for solo piano, written during the composer's teens, and a genuine "song without words."

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 22–28

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The new production of Handel's Samson, by Elijah Moshinsky in the designs of Timothy O'Brien, is the Royal Opera contribution to the Handel tercentenary celebrations. Jon Vickers, whose Samson was one of his early London triumphs, returns nearly three decades later to the title role; the cast also includes Carol Vaness, Marie McLaughlin, Sarah Walker, and Robert Lloyd, and the conductor is Julius Rudel. (2401066).

Royal Opera House, Covent Garden: The Royal Ballet with Sleeping Beauty, Balanchine's Ballet Imperial in a new Christopher Lebrun design, Corder's L'Invitation au Voyage and MacMillan's tense Different Drummer.

VIENNA

Staatsoper: Tannhäuser; Falstaff conducted by Zedda with Lorengar, Venuti, Ludwig; Simon Boccanegra conducted by Marco Erede with Freni, Gonda, Ghiaurov. (5324/2655).

Volksoper: The Gipsy Baron; The Magic Flute; The Barber of Seville; Orpheus in the Underworld conducted by Richter; Lehar's Land Des Lachelns conducted by Bibl; Hello Dolly. (5324/2657).

PARIS

La Traviata performed by Orchestre Colonne conducted by Donato Renzetti in a Bonn Opera production by Luca Ronconi with Violetta sung alternately by Diana Soviero-Uzan, Jenny Drivala and Julia Kukely. TMP-Châtelet (233.44.44).

Hommage to Antony Tudor. Lilac Garden, Shadowplay, Continuo, Dark Elegies in Anthony Tudor's choreography to music by Chausson, Koechlin, Pachelbel and Mahler. Opéra Comique – Salle Favart (296.06.11).

Ballet de Marseille, Roland Petit's premiere of The Marriage of Heaven and Hell to Art Zoyd's music. Théâtre des Champs Elysées (7234777).

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Lohengrin with Wagner specialists Rene Kollo and Sabine Hass. Die Fledermaus is an Otto Schenk production. Carmen, sung in French, is steered to triumph by Teresa Berganza. The controversial production of Handel's Messiah in a scenery version by Achim Freyer, has the British conductor Christopher Hogwood. Lucia di Lammermoor brings together Kaja Borris and Franco Bonisolli. (34381).

Stuttgart, Württembergisches Staatstheater: Gustav Kuhn is the conductor of Jean-Pierre Ponnelle's Götterdämmerung. The cast includes Catarina Ligendza and Manfred Jung. La Cenerentola is a well done repertoire performance. Also Werther sung in French (20321).

Hamburg Staatsoper: Nono's rarely played Intolleranza has fine interpretations by Beatrice Niehoff and William Cochran as leads. Der Rosenkavalier has Brigitte Fassbänder as Octavian; Der Liebestrank is worth a visit with Judith Blegen, Neil Shicoff and Guiseppe Taddei. La Bohème convinces thanks to Ileana Cotrubas (351151).

NETHERLANDS

The Nederlands Dans Theater with three ballets by Jiri Kylian. New Ballet (Litosiavsky). Svadebka (Stravinsky's Les Noces) and Sinfonietta (Janacek). Scheveningen, Circus Theatre (558800). Arnhem, Stadsschouwburg (422741), Roermond, De Oranjerie (35061), Utrecht, Stadsschouwburg (331343), Den Bosch, Casino (125125).

The Netherlands Opera with Handel's Orlando directed by Filippe Sanjust. The Radio Chamber Orchestra conducted by Nicholas Kraemer, with Jard van Nes in the title role, and Ann Dawson as Angelica. Eindhoven, Stadsschouwburg (117555), Groningen, Stadsschouwburg (142555).

ITALY

Trieste: Teatro Verdi: Luciana Serra sings the title role in Donizetti's Lucia di Lammermoor conducted by Oleg Caetani. (631948).

Parma: Teatro Regio: Tosca conducted by Gunter Neuhold with Jeannine Altmeyer, Bruno Bulgarelli, Marcello Crisman, Nicola Ghiuslev and Giuseppe Giacomini; Handel's Rinaldo conducted by Charles Farncombe and directed and with scenery and costumes by Pier Luigi Pizzi: (23003).

Naples: Teatro San Carlo: Franz Lehar's Merry Widow conducted by Daniel Oren and directed by Mauro Bolognini with Raina Kabaivanska, Mikael Melbye, Daniela Mazzucato and Max Rene Cosotti. (418266).

Rome: Teatro dell'Opera: Offenbach's La Perichole conducted by Pierluigi Urbini and directed by Jerome Savary. Choreography by Lorca Massine and scenery by Michel Lebois. In the cast are Elena Zilio, Claudio Desderi and Ugo Benelli. (461755).

NEW YORK

Metropolitan Opera (Opera House): Thomas Fulton conducts this season's first performance of last season's new Ernani, starring Montserrat Cabelle, Ermanho Mauro, Pablo Elvira and Paul Plishka. Die Meistersinger joins the repertory conducted by James Levine with Mari Anne Haeggander, Edward Sooter and David Rendall. James Levine also conducts the premiere season of Nathaniel Merrill's production of Porgy and Bess, designed by Robert O'Hearn, with sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker and Bruce Hubbard. Neeme Jaervi conducts the last seasonal appearance of Eugene Onegin starring Kay Griffel and Leo Nucci. Lincoln Center (3626000).

TOKYO

Buto: The first festival concludes with Kyoto-based Byakkosha group of particularly grotesque style (Mon); Kazuo Ohno, 78 years old and still dancing, father of modern Japanese dance in the famous and poignant tribute to 1920s flamenco dancer La Argentina (Tue, Wed). Yurakacho Asahi Hall. (5800031).

Samson/Covent Garden

Max Loppert

Samson is one of the greatest of Handel's English-language dramatic works—not as awesome in its tragic power as *Saul*, not as sensuously beautiful as *Semele*, not as golden in its evocation of an ideal as *Solomon*, but graced by all those qualities as well as Handel's ability to characterise in flesh and blood both sides of an argument. It also is enriched by some of the most moving music of grief, loss, resignation, and fortitude in the literature. It is the Royal Opera's choice for a new production (sponsored by Citibank, and mounted in collaboration with the New York Metropolitan and the Chicago Lyric) to mark the tercentenary celebration.

On the whole, the company has not done well by it; but, on the grounds that a heavy, ill-conducted *Samson*, with good and less-good features in its staging and some of both in its singing, is still better than no *Samson* at all — which largely is how London has remained since Covent Garden's previous production of the work (in the 1958-59 season) — Wednesday's performance deserves a very cautious welcome.

The most serious weakness must be mentioned first, alas, for it is one that laid its mark on the whole evening. For some reason, the choice of conductor has fallen on Julius Rudel, formerly of the New York City Opera (and known to British Handelians for the terrible mish-mash of *Julius Caesar* by that company which found its way onto records). This is not a textual misrepresentation of *Samson*, at least, but what we heard on Wednesday emounted to an executive one; for, in stodgy thickness of orchestral sound, rhythmic lifelessness and rhythmic insecurity (sometimes both at once), and dogged, head-down ploughing through the wonders of the score, it was very seldom (and then only very briefly) the work known and loved.

There was no quality in the performance on which one could seize as evidence that the conductor felt anything at all about the music — none of the old-fashioned grandeur and disregard for musicological niceties of a Beecham (which would chime very well with the size of the theatre and the company's choice of hero); no awareness of more up-to-date practical considerations beyond the continuo contributions of an unpleasant harpsichord (amplified) and an overused organ; not even rigorous competence, apart from a few sequences that came right in Act 3.

The orchestral playing was ragged; the choral singing that, and worse — the placing by producer Elijah Moshinsky might not always have aided clean ensemble, but at times one questioned the actual grasp of notes. Much of this will no doubt improve at later performances; on Wednesday it offered a poor advertisement of the Royal Opera's celebratory intentions.

Jon Vickers, whose 1958 Samson was an early London triumph, returns to the role 27 years later. "Mixed feelings" to describe his performance would be the baldest of understatements. Mr Vickers does agonising violence to much of his music — emitting recitative in long, slow, emphatic outbursts, mauling aria lines with great scoops and stops — start phrases, his tone quality as fierce as a stretch of sheer rock face — while at the same time drawing a peculiar and immensely affecting potency from it. He has the stuff of Samson in him; the great, cleaving gestures are native to both performer and character. There is much about this performance that a Handelian would wish otherwise, yet no-one who has seen and heard it can regret the experience.

The remainder of the cast comprises singers capable of finding expressive force in the musical line rather than working massive impositions upon it. It's a good cast, and one can only wish it had been better served by the conductor. Carol Vaness's Dalila, though she makes too little of the words, is both fleet and voluptuous of tone, able to catch the character's genuine and feigned inflexions side by side. Marie McLaughlin takes both Philistine and Israelite Woman with delicious brightness.

The 18th-century transmutation of the drama by the producer has required Micah to become a faithful waiting-woman; this works well in practice because of the tenderness, beauty, and unforced delicacy of Sarah Walker's whole performance. She, like Robert Lloyd in a wonderful account of Manoa, has the precious gift of being un-boring in moods of reflection. John Tomlinson's Harapha is splendidly firm and vigorous.

I've left discussion of the production until last because, frankly, I'm unable to evaluate its exact degree of achievement —a future revival, when the music is less under a cloud, will surely make that much clearer. On Wednesday, it seemed an architecturally very-impressive staging (designed by Timothy O'Brien) full of striking ideas, some of which clogged up the musical margins (continual background shuffling with screens, trolleys, and chairs proved a notable nuisance), some of which illuminate it in fresh and unexpected ways. The 18th-century working, with chorus in severe black and white (Philistine men distinguished from Jews by grey wigs), affords a series of sharp, formal outlines (on this occasion not always pulled into trim) against which the grandeur of the music can be exposed.

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Taking up the U.S. challenge

PRESIDENT Reagan can have made few new friends in Europe with his remarks about the dollar. Many embattled officials and bankers on this side of the water are no doubt writing acid memoranda about hubris and nemesis—or of the pride that comes before a fall, if they have a more homespun turn of phrase. It is certainly true that, in the long run, durable prosperity cannot be built on limitless borrowing, and in that sense the Reagan economic experiment is not sustainable. The President recognises as much in his rhetoric, if not in his actions: he talks of balancing his Budget, but rather as St Augustine talked of abjuring sin: not yet.

However, in the long run, as Lord Keynes remarked, we are all dead; and meanwhile America's debt-led recovery is the wonder of the markets. Neither the fiscal deficit, nor the huge trade deficit which has resulted from borrowing far in excess of domestic savings, have caused any pressing problems.

Even looking ahead, the required adjustment still looks manageable. It is clear that at some stage—and probably quite soon—the exaggerated glamour in which investors see the U.S. economy will grow paler.

However, there still appears to be adequate time in which to agree and mount a programme of steady deficit reduction for the years ahead, until the growth of debt, both national and commercial, falls into step with the growth of other elements in the U.S. economy. Such a programme ought to ensure a relatively soft landing, unless euphoria blinds the Americans to the need to do anything at all.

It will be of very limited comfort to the fiscal puritans of Europe to mutter "I told you so," and watch unemployment mount still higher as the excess U.S. demand which has largely sustained our own weak recovery so far is reined in. The prosperity and employment which the President's policies have generated are genuine; and given good management, they can remain so even when the bills fall due. Ordinary curiosity — let alone humility — ought to provoke the question whether Mr Reagan's policies do not have some of the merit he claims for them.

It is true that the U.S. economy has some structural and behavioural advantages which cannot be matched in Europe, in terms of flexibility, rational labour markets, and relatively low social overhead costs. However, these contrasts are nothing new. It is clear that some of the contrast in economic performance, which is new, must be attributed to diametrically opposite fiscal policies. Indeed, ironically, European and Japanese self-denial has freed the resources to finance the U.S. boom, creating a world recovery with the U.S. as its dynamic centre, sucking in capital as dynamic regions do.

Unbalanced

In other words, two sets of unbalanced policies, with headlong debt expansion in the U.S. and financial reconstruction, both at the national and corporate level, in the rest of the developed world, have combined to make a temporarily workable and quite effective system; but those who argue most urgently for a change in the balance of U.S. policies should be the first, rather than the last, to recognise that this will require some compensating change in their own policies, if the net effect is not to be depressive. We should be thinking, in short, not in terms of a slanging match with Mr Reagan, but of a sensible convergence on better balanced policies.

This could be taken as a purely national challenge, and indeed there is a growing mutter from Tory admirers of the President urging the British Government to "do a Reagan." However, such an experiment would probably be as short-lived as previous Conservative efforts at a dash for growth, or as President Mitterrand's more recent effort in France. Only the Japanese economy, outside the U.S., is big enough to risk an independent line of this kind.

However, the European Community was founded with the idea of creating an integrated economy with the advantages of scale and collectively limited external exposure to give the kind of robust independence which enables the President to behave so inconsiderately. A convergence on a European level would be a very different matter. A modest adjustment in concert of the order of 1 per cent of GDP would have as much effect in each member economy as a far bolder stimulus in one country, largely to the benefit of its trading partners, and the risks would be minimal. Given that European decision-making makes even the U.S. constitution look a model of lightning efficiency, the time to start planning such a convergence is now.

Local self-help for small firms

IN WHITEHALL and Westminster, politicians and civil servants need to fight hard to overcome an illusion that Britain's economic performance is determined primarily by national policies and initiatives. As the Budget draws closer, it is all too oasy to fall into the trap of thinking that the economic outlook will depend mainly on the size of the Public Sector Borrowing Requirement or the targets the Chancellor sets for growth of the money supply. The difficulties of the 1970s showed that firm macro-economic policies are a necessary condition for economic success; the problems of the 1980s seem to be showing as clearly that they are not sufficient.

Britain's economic success in the next decade will depend in large part on the skill of its entrepreneurs. The rate at which unemployment can be reduced is likely to depend less on the economic policies currently fashionable in Whitehall than on the rate of small-firm creation — and the subsequent performance of these fledgling companies. The creation of small firms can be assisted by appropriate fiscal policies (for example, the exemption level set for value added tax) but it will also depend on the quality of assistance which is available locally for would-be entrepreneurs. In the past decade, a new form of business advice and counselling has emerged in the shape of local enterprise agencies (LEAs).

Rapid growth

LEAs come in a variety of shapes and sizes. They are collaborative community organisations usually jointly sponsored by public and private-sector bodies; they aim to encourage and support new and existing small and medium-sized businesses. Besides offering technical and professional advice, LEAs provide other services such as training, provision of premises and, occasionally, access to risk capital. A study issued last week by Business in the Community and the Centre for Employment Initiatives suggests that the quite rapid growth of LEAs in tho UK (there were 180 in June 1984 compared with only 23 three years earlier) is having a significant impact on local business performance.

According to the report, about a quarter of firms starting up in business and 15 per cent of existing firms describe their LEA as "crucial" in helping to create or save jobs. About 10 per cent of agencies' clients go so far as to claim "they would have gone bust or would not have started without the assistance provided." It also appears that small companies find LEAs relatively more valuable than other local support organisations such as banks and chambers of commerce.

The secondment of staff from large companies and local authorities to work together on the problems of local business has undoubtedly been a success. Many of the anticipated difficulties have not emerged; contrary to some expectations directors of agencies often drawn from big corporations have not shown the expected lack of understanding of the pressures on the small businessman. The one cause for concern is that local collaboration extends only so far: "the involvement of local trades unions and trades councils was notable for its almost complete absence." So long as unions take an unhelpful if not downright hostile approach it is hard to be sanguine about small businesses' prospects in the UK.

The main question posed is how LEAs can build on their present success. Business in the Community's idea that they should increasingly become a conduit for the provision of low-level risk capital seems sensible. But its plea for "some form of centrally provided core funding" for LEAs is more questionable. The whole point of these agencies is that they are a form of local self-help. If they start to rely on central grants, this could undermine what began as a novel and encouraging form of assistance for would-be entrepreneurs.

TRADE WITH CHINA

Hugh Routledge

China today: woman welder in a shipbuilding yard and a Shanghai street dominated by foreign advertising

The dazzling vision of a billion customers

By Colina MacDougall

GONE are the days of the late 1970s and early 1980s when a Chinese delegation would drop by your factory, politely swallow a Western-style lunch, tour the workshops and vanish back to China without further comment.

This month, Britain's Dunlop signed a £17m contract to supply the technology and equipment for a tyre plant in the north-east province of Liaoning.

The week before, Short Brothers of Belfast won a £30m order from Peking for eight aircraft following recent deals by Boeing and McDonnell Douglas for 737s and MD80s.

In January the U.S. computer group Wang signed three joint venture agreements, Japan's Matsushita raised its planned assembly of video recorders in China to 30,000 a year and the Swiss Brown Boveri sold £53m worth of power equipment. All this came hot on the heels of dozens of contracts for trucks, steel plant and telephone equipment, not to mention smaller deals for items like Polaroid film or welding machines.

"The China trade picture has fundamentally changed," says Bernard Buckman, chairman of Wogen Resources and vice-president of the Sino-British Trade Council. "Now the Chinese are serious," echoed Frank Duncan, London-based partner of China consultants Mark Wong Associates. The same message comes from Bonn, Tokyo, Washington and other capitals regularly on China's trade beat.

Chinese imports climbed by over 37 per cent last year to $25.5bn and are sure to rocket again this year as deals in the pipeline start to show up in the trade figures. Two years of caution brought on by shortage of cash and concern that anti-foreign leftism might break out again appear to be over. Peking, flush with funds after a hugely successful export drive selling everything from more oil to frozen shrimps, has given the go-ahead to Chinese organisations to buy, borrow or otherwise acquire the modern technology they so badly need.

Growing exports and greater economic freedoms have generated a more than comfortable nest-egg of foreign exchange. This now totals around $16bn, excluding gold reserves of over 12m ounces. In November, Peking said the country would begin to draw on this nest-egg to finance essential imports. For instance, last month the Chinese agreed to pay cash for FFr500m worth of badly needed digital telephone exchanges from the French CIT-Alcatel.

But China's leader Deng Xiaoping long ago realised that buying and selling in the conventional mould was not going to be enough to bring in all the technology needed to modernise China. New projects and a reformed system were needed. Since 1979 Peking has been steadily encouraging foreign investment, promoting new faces in the ministries, streamlining the bureaucracy and decentralising decisions.

Promised foreign investment in China, from 1979 to mid-1984 totalled $8bn of which $500m went into joint equity ventures. The Chinese are particularly eager to get these ventures because, as they see it, the foreign partner is much keener than he would be as a more salesman to contribute his knowhow and management skills.

There were, up to June last year, 362 joint equity ventures of various size and success, plus hundreds of co-operation agreements, processing and assembly deals, and compensation trade pacts. Technology licensing is increasing, and all over China even tiny factories are hunting up foreign partners to help them modernise.

Younger, bolder administrators are increasingly making their mark on the Chinese bureaucracy. "Vice-Premier Li Peng, who is in his fifties and a former technocrat with the power ministry, is desperately trying to get the Chinese negotiators to tie up the deal for the Guangdong nuclear power station at Daya," says one businessman. "He knows that if they don't get a move on, it'll hardly be finished in the 1990s."

"Chinese negotiators are getting much more experienced," says another. "For instance, they're beginning to understand about cash flow. When we explain to them that if we get some money back from a project quickly, we can give them a better price in the first place, they get the message."

"They've eliminated much of the red tape to speed things along," adds a third.

Reform has meant that dealing with the bureaucracy has become much more direct. "Business with China isn't exotic any longer, it's completely standard and routine," said Heinrich Weiss, head of SMS, which sold China a DM1.3bn rolling mill last year, in a magazine interview this month.

"Whereas before we had to negotiate every detail of an agreement with a ministry in Peking, now we deal directly with provincial governments or even with the companies with which we plan to work. The Chinese have dropped all the circumlocutions and polite formulae and come straight to the point."

Deng's decentralisation policy has taken off to remarkable effect. Key cities and provinces, such as Shanghai and Guangdong, are allowed to make their own deals up to ceilings of several million dollars or more. The four tax-concession Special Economic Zones, three in Guangdong province and one in Fuzhou, operate near-independently. When Deng toured these last year he was so impressed with progress that he pushed through a directive giving 14 other cities similar powers.

American companies particularly have moved out to the provinces. Boeing says it is negotiating with six of China's new provincial airline administrations where they expect sizeable markets for aircraft as hotels and industry grow. Wang's new joint ventures are scheduled not just for Peking and Shanghai, but also Xian. Japan's MITI, on the other hand, tends to advise potential investors to head for the Special Economic Zones since, besides the tax concessions, they also allow greater management flexibility.

But despite the trade boom, businessmen still have reservations. Deng's reforms so far have only half worked. In joint ventures, Chinese inexperience is a headache. "There is a growing trend among Chinese organisations to demand renegotiation when they perceive contract terms to be unfavourable," says Dennis B. Kelley, formerly director of China operations for Cummins Engine Company, in a recent issue of the authoritative Washington-based China Business Review.

On top of that, Mr Kelley adds, Chinese enterprises make over-optimistic sales projections, change their senior staff frequently because of retirement policies, and their productivity is low. Perhaps most disconcerting, they do not keep contact with their foreign partner. "Big surprises may await the U.S. management team when they arrive on site after a three-month hiatus in communications."

The Americans have been quickest to take up the joint venture idea. "They're still dazzled by the vision of the market of 1bn customers," said one trade consultant drily. Numbers of U.S. deals run into the 20s, the majority (excluding offshore oil) in light industry or the service sector.

Bureaucratic reform, though under way, is moving slowly. Officials still delay contracts. Framatome, after four to five years of negotiations over the nuclear element in the Daya power station, is tired of the long wait to sign. First the deal was to have been clinched last spring. Then signature was fixed for December. Now the new date is April this year. "The travel, hotels and associated expenses are costing us FFr8-9m a month," say Framatome, which maintains teams of executives in Peking, Hongkong and Shenzhen. Asked about Chinese plans to cut bureaucracy, Framatome's view is that "good intentions have yet to be turned into results."

This would probably be confirmed by CIT-Alcatel. Peking desperately needs a new telephone system, but the negotiations still took two years. The spread of ministries and other organisations which had to be involved clogged discussions.

On top of typical bureaucratic delay, Peking's negotiators in the new profit-oriented climate spin out discussions to try to get price cuts. "The Chinese are redoubtable negotiators. They know how to apply psychological pressure," says one CIT-Alcatel official.

He spoke with reason. CIT faced protracted last minute discussions on their contract which held up the signing from December onwards. The deal was only clinched last month when the chairman, Georges Pebereau, threatened at the end of his 24-hour visit to Peking to fly back without signing.

Decentralisation has also caused problems. If you sell to a previously unknown Chinese organisation, you need some kind of assurance that it will be able to pay. For provincial joint ventures, there is no lack of potential partners but their inexperience makes them risky. On top of that, the free market has not really arrived yet and new companies often have to get allocations of basic supplies from the state, which they may find difficult.

This month, the West German Economics Minister, Herr Martin Bangemann, put some of the problems to the Chinese. He admitted that they were now providing better data and more clearly presented invitations to tender, but asked for more accurate figures and help for representatives of foreign companies not just in Peking but other Chinese cities.

He also elaborated on importers' problems in terms that would be echoed everywhere. Besides wanting more FOB-based export contracts and more foreign freightliners to handle a bigger share of the trade, he asked for stronger guarantees against failure by Chinese exporters to fulfil contractual commitments on quality and quantity as well as price.

Decentralisation has meant wild competition among rooming enterprises and declining standards of reliability. For instance, in minerals the old state trading corporation has been replaced with several offshoots which furiously undercut one another. "They're inexperienced, they dishonour contracts, two guys have even been executed for fraud," said one metals trader.

But foreign companies are still far from discouraged. The Chinese are much better organised and informed than they were five years ago.

On top of that, their spending plans are taking shape. China now means to use over $14bn of reserves on modernisation over the next three years.

What they want is much clearer. Priorities under the present five-year plan (1981-85) are transport, telecommunications, energy and technical renewal, as their recent buying programme confirms.

While they have said they will not start any large new developments in the next five-year plan (1986-90), they will be negotiating for projects which need a long lead time—nuclear power, for instance. They are also going to need thousands of smaller deals to help re-equip the general run of Chinese industry.

As for the system and its reforms, as long as Deng remains around, "If they find they don't work, they'll change them," said one trader. "They've got that flexibility now."

Research by Rupert Cornwell, Nancy Dunne, David Marsh, Jurek Martin and Nancy Pearlman.

RECENT CHINESE ORDERS

Company	Country	Date ann'ced	Item	Value
Dunlop	UK	Feb. 85	Tyre plant	£17m
Short Bros.	UK	Feb. 85	8 aircraft	£30m
Isuzu	Japan	Jan. 85	40,000 trucks	£263m
CIT-Alcatel	France	Jan. 85	Digital switches for telephone lines	£46m
Boeing	U.S.	Jan. 85	2 737-300 aircraft	undisclosed
Brown Boveri	Switzer'd	Dec. 84	2 transformer stations	£53m
EMS-Inventa	Switzer'd	Dec. 84	Polyester plant	£28m
Fiat	Italy	Dec. 84	Truck plant	£165m
Pirelli	Italy	Dec. 84	Tyre plant	£22m
Berlin Consult.	West Germany	Dec. 84	Meatpacking plant	£16m
Fujitsu	Japan	Nov. 84	24 computers	£16m
Mitsubishi	Japan	Oct. 84	10,000 trucks	£101m

Source: FT estimates.

Men and Matters

Roberts looks for risks

Lewis Roberts, aged 64, the shy Welsh chemist who runs what is arguably Britain's best-known laboratory, the Atomic Energy Research Establishment at Harwell, has spent his entire career there since 1947 apart from one year in the U.S.

Today about 60 per cent of Harwell's research takes the form of contracts for the public and private sector. Within the next year Roberts has the task of making it 100 per cent.

Only then will he be ready to leave for a new career as the first Wolfson professor of environmental risk assessment, endowed by the Wolfson foundation to the tune of £250,000, at the University of East Anglia.

This will be "a chair without extensive teaching duties," says Roberts, providing a focus for a lot of good research in one of Britain's most successful schools of environmental science.

Radiation and acid rain will be just two of the hot topics he will be trying to get into better perspective for government and the public.

Although Roberts was head-hunted last year he insisted that he must first see Harwell through its "pilot year" in preparation for full financing on a trading fund basis.

Who will be the next Harwell director? A front runner could be Derek Pooley, the Harwell man who was seconded to Whitehall in 1983 as chief scientist to the Department of Energy.

"Hi, I'm from the London Business School"

Book ends

The row over the threatened closure of Collet's London Bookshop—repository of everything radical from the Ragged Trousered Philanthropist to the thoughts of Gerry Adams, head of Provisional Sinn Fein—turns out to be based either on misinformation or misunderstanding.

Some, of course, will not find this surprising. Anything now which involves the British Communist Party appears cloaked in intrigue and confusion.

What is happening, according to Steve Lytton, a senior director of Collet's Holdings, is a simple "rationalisation." True, the London Bookshop is to close, but the entire stock will be transferred just down the road to the company's International Shop. Nor will there be any forced redundancies; everyone will be re-employed in the bigger shop.

What is happening, according to Andy Pearmain, of the London Bookshop's staff, is that Collet's intends to concentrate on paperbacks—the Penguin Shop is to be expanded—while the radical stock-in-trade of the business since 1934 is crammed into an emporium dominated by sales of books supplied by the Soviet Union. The staff of the London Bookshop, he says, is to be dismissed.

"I have been a member of tho CP for years," says Pearmain. "But after this, I'm not so sure."

"Listen," rejoins Lytton. "There's no way at all that the present direction of Collet's will do anything to lessen the availability of radical books. That's what we've be known for for over 50 years, and we're not going to change now."

The issue is exciting widespread feeling, including a Commons protest motion already signed by more than 20 MPs, including at least two from the Alliance.

The knives are out. But who is stabbing whom?

Cat's whiskers

Bankers do have a sense of humour — witness this Press release from the Royal Bank of Scotland, which sounds like a response to the rival Bank of Scotland's recent announcement of computerised home banking.

It describes a money box in tho shape of the "Top Cat" cartoon character used in Royal's television ads.

"After years of marketing its pace-setting PIG (Personal Income Generator), the Royal Bank has now added a multi-coloured CAT (Coin Accumulating Terminal) incorporating a number of breathtaking technological advances.

"Retaining the traditional horizontal vent inlet and gravity-fed coin channel, CAT features a trail-blazing, multi-component construction utilising the properties of two different plastic materiels."

Describing the hat which has two holes to fit over the cat's ears, it says: "The bi-chromatic twin disk protective covering of flexible, impact-resistant material uses a double/female fitting to dock with the twin lugs of the main cash-retaining module."

And it adds: "A particularly exciting breakthrough is the introduction of a parabolic base to impart the rocking motion to tho assembled unit, activated by the injection of coins."

Paging the oracle

As befits Ireland's largest company, the Jefferson Smurfit group likes to cut a bit of a dash on occasion. So the celebrations this week of its 50th anniversary include not only the usual shindigs but the publication of a book on Irish management.

Sean A. Brophy, the author, is an old Smurfit hand, who now teaches on the MBA programme at Trinity College, Dublin.

His book, "Tho Strategic Management of Irish Enterprise, 1934-84," traces the history of Smurfit and four other leading Irish enterprises — Irish Distillers, Waterford Glass, Aer Lingus and Weterford Co-op.

The common theme seems to be that it is the quality of managers that determines success.

Not surprisingly, the quote on the inside cover is from the Yorkshire-born Jefferson Smurfit himself. "Opportunity comes to pass, not to pause."

Please listen . . .

Chosen as Communicator of the Year yesterday by the British Association of Industrial Editors, Colin Marshall, chief executive of British Airways, remarked that there are a number of ways to approach communications.

"Mark Twain once told of seeing a gentleman belabouring his mule about the ears with a piece of two by four. Interrupted by a shocked animal lover, he patiently explained he was just trying to get the mule's attention."

Observer

Letters to the Editor

Agriculture in Europe

From Professor A. Buckwell.

Sir,—There were interesting contrasts and similarities in the two articles you published on the Common Agricultural Policy (February 20), one by David Curry MEP and the other based on an interview between your agricultural correspondent and Frans Andriessen, the new EEC farm commissioner.

Both Andriessen and Curry acknowledge that the market imbalances for most supported farm products and the consequent budgetary costs imply the need for further price cuts. They also both recognise that price policy alone is insufficient. Where they appear to diverge is that Curry looks to solve the income problems of small and marginal farmers by the somewhat ill-defined means of controlling the transfer and access to agricultural land. He also hints that the bureaucratic nightmare created with the institution of milk quotas provides some guides to the operation of a social policy for agriculture. How refreshing therefore to see that the new commissioner for agriculture is approaching the problem with some more enlightened ideas. Cash payments to the poorest producers have the virtues of being direct, selective, effective, progressive and cause the least distortion to factor and product markets. On close inspection it may turn out that direct income supports are just as expensive as the present system of support through price policy. The vital difference would be that the beneficiaries would be those most in need, and the contributors those most able to pay.

David Curry also perpetuates the myth that price pressure induces extra output as farmers try to spread overheads over the maximum yield. Both theory and empirical tests confirm that quantities supplied and price move in the same, not opposite, direction. Casual observation of course appears to refute this: we have seen a secular decline in real prices and a secular increase in production for most agricultural products since the mid-1970s. The supply relationship between price and quantity assumes all other things are equal. In European agriculture this most certainly has not been the case. The technical advances in plant and animal breeding, nutrition and care have pushed out the supply curve at a rate which far outweighs the normal effect of a price decline. This provides further clues for the control of surpluses. Far greater attention must be given to the inducement to innovation and investment. Adjusting price expectations are part of the answer, but even more important are such factors as grants for investments, the favourable tax treatment of farmers and agricultural research and development.

This provides the greatest challenge to Mr Adriessen: to be really effective, direct income aids will need to be sufficiently generous to persuade member states both to continue reducing the inefficient price supports and to eliminate the multitude of back-door indirect assistance given to farmers. I wish him well in this task.

(Professor) Allan Buckwell,
Wye College,
Nr. Ashford, Kent.

Predictions on pensions

From the Pensions Officer, General, Municipal, Boilermakers and Allied Trades Union.

Sir,—Your report of February 11 on Mr Fowler's proposals to abolish the state earnings related pension scheme (SERPS) quotes his arguments that the worsening ratio of contributors to pensioners and rising rates of contribution will mean that we will be unable to afford to pay for SERPS in the future. It is interesting to examine the history of the figures behind those arguments, starting with the Government Actuary's quinquennial review of the National Insurance Fund published in 1982.

The DHSS produced a background paper for the Fowler inquiry into provision for retirement, called "Population pension costs and pensioners' incomes." The first section was prepared by the Government Actuary's department, and presented estimates which "derive from the 1982 quinquennial review of the scheme with updating adjustments." In fact there are very significant differences between the 1984 paper and the 1982 review, and how these differences arise is not explained in the 1984 paper. A cynic might think that the "updating adjustments" were made deliberately to present a pessimistic picture of the escalating costs of state pensions.

For example the 1982 review stated that the ratio of contributors to pensioners was expected to fall from 2.4 in 1985-86 to 2.1 in 2025-2026, while the 1984 paper gave the figures as 2.3 in 1984-85 and 1.8 in 2025-26. Both documents gave projections of national insurance contribution rates over the next 40 years. In fact they gave a range of projections based on a range of economic and demographic assumptions, but both chose to present one central estimate. The 1984 paper showed the cost (of pension benefit only) increasing from 12.5 per cent to 19.9 per cent—an increase of 7.4 percentage points. The 1982 review quoted in its summary that the cost (of all national insurance benefits) would increase from 15.4 per cent to 21.9 per cent over the same period, an increase of 6.5 percentage points, and qualified this by saying that it was more likely to be 1 or 2 per cent lower than this because this prediction was based on zero real earnings growth. The figures quoted in the press release which accompanied the 1982 review were 15.3 per cent and 20.3 per cent, in other words an increase of only 5 percentage points. It is difficult not to believe that the 1984 projections were deliberately made to look as gloomy as possible, in order to provide spurious justification for these unnecessary cuts.

John Cullen,
Thorne House,
Ruxley Ridge,
Claygate,
Esher, Surrey.

World trade in textiles

From the Director of Studies, Trade Policy Research Centre

Sir,—The correspondence following the publication of Professor Aubrey Silberston's report on the multi fibre arrangement has had some strange moments. On January 22 Mr Ian Bradley asked how one could justify the ending of the transfers to developing countries created by the MFA. While it is frequently argued that these transfers compensate developing countries for the restrictions, never have I seen it suggested that those transfers are theirs of right, a morally justified aid programme, so to speak. Would Mr Bradley justify the MFA as an aid programme, when its benefits go mainly to rich people (that is, owners of quota-holding firms) in the most successful developing countries, while the demand for labour in developing economies is lowered?

Dr Neundoerfer (February 11) is a distinguished spokesman for the German textile industry, but his "clarification" of Professor Silberston needs some clarification. He has misunderstood the point about quota rents. If there are quota rents in some suppliers, then prices that can be charged by all competing producers, wherever located, are raised above those that would exist in the absence of those restrictions, provided only (as is virtually certain) those suppliers who are effectively constrained would expand their output in the absence of the restraints and squeeze out some higher cost suppliers elsewhere. In other words, the MFA would have no general effect on prices of the kind mentioned in Professor Silberston's report only if there were no quota rents anywhere. It is true that Professor Silberston may be wrong to suggest in his letter of January 29 that the higher prices in effectively unrestricted suppliers must appear as rents. They may represent higher costs. Nevertheless, whether the higher prices represent rent or just waste, they are a burden for the importing countries.

Dr Neundoerfer says that he is "increasingly exasperated by liberalisation myopia." I, too, am increasingly exasperated by two sorts of arguments, both of which appear in his letter. If one believes (contrary to elementary economics) that the MFA is justified by the subsidies and protection of exporting countries, why is nobody in the industry arguing that Hong Kong be freed from restraint? So long as Hong Kong continues to be under restriction this argument will appear to all the developing countries and most outside observers as well as pure hypocrisy. Indeed, Dr Neundoerfer might be surprised to know that, contrary to what he says in his letter, "academia" has indeed been arguing for the removal of these distortions in the developing countries. It is difficult to be persuasive, however, when anyone can see that their own liberalism makes little difference to how the developing countries are actually treated.

One cannot argue that "even a gradual liberalisation of world textile trade" would have "devastating effects" on the European Community's textile and clothing industry and at the same time deny the proposition that the price raising effects of the restraints (and so the economic costs) are substantial. Professor Silberston himself has, if anything, erred on the low side in his estimate of a ten per cent fall in import prices. To argue, as Dr Neundorfer apparently wishes to do from his observations about the restricted importance of quota rents, that the price effect would be still smaller while also asserting that this modest fall would be devastating to the industry is unconvincing. There is a simple test, however. Would Dr Neundoerfer be prepared to substitute a rise in the European Community's external tariff of ten percentage points for the multi fibre arrangement?

Martin Wolf
1 Gough Square, EC4

The Sleipner gas decision

From Professor P. Odell

Sir,—In his letter regretting the cancellation of the Sleipner gas deal, Mr Mackay (February 19) writes: "Price was not a serious issue of disagreement." I wonder. As with all previous major intra-West European gas trade contracts, price parity with oil was of the essence. As a result markets for gas have been restricted, so matching the conventional view of limited potential gas supplies availability in an expanding energy market. These two essential parameters for pricing gas are, however, no longer valid: the energy market is flat, while potential gas supplies—Western European plus accessible imports—are in long-term surplus.

Suppliers seeking additional markets are now changing their policies and are prepared to deliver at prices which enable gas to expand its share of energy consumption. Analysis of West German and Dutch trade trade statistics for 1984 appear to indicate an average Soviet gas export price of about $2.80 per million btus: or, say, 23p per therm at current exchange rates. This is a far cry from the reported 35p per therm to which the Sleipner gas price had escalated under the dollar oil price-related formula, and from the equivalent price of any oil products. Indeed, it brings the gas price within "spitting distance" of the imported coal price. This development indicates the direction in which gas prices are now moving so strongly in Western Europe: a process which was recognised in late 1984 by Gasunie's acceptance, in principle, of a different, more flexible basis for pricing its gas exports. This, incidentally, could well have been a reluctant response to its loss of 7.3 per cent of its gas exports to Western Germany (compared with 1983) in a year when the latter's imports of Soviet gas increased by 24 per cent.

Had the Sleipner deal not been rejected the UK stood in danger of tying itself to a gas pricing system which would not only have made its medium-term gas expensive compared with the rest of Europe, but also ensured higher energy prices all round as alternative fuels (and electricity) would not have had to face the competition which lower gas prices will stimulate elsewhere in the continent.

(Prof) Peter R. Odell,
Erasmus University,
Postbus 1738,
3000 DR Rotterdam.

Supping ale under pressure

From Mr D. Connold.

Sir,—I am writing to express my increasing concern on the inordinate pressure that is now being applied to people like myself who enjoy a glass of beer when they visit a public house. I am referring to the ever-growing trend of the inquisition with which we are subjected to as to the type of glass that we wish to have before we have even had the opportunity to decide what type of beer is needed.

When I visit a public house, it is either for a meal or to have a drink, and I am really not terribly concerned as to whether I have a straight or jug glass in which to enjoy the beer. I would strongly urge that this rather strange custom is dropped as soon as possible, as I feel the unnecessary hassle that we simple beer drinkers have to endure is reaching epidemic proportions.

D. J. V. Connold,
Tithe Farm,
Codicote,
Nr. Hitchin, Herts.

Costs savings on Trident

From Professor I. Bellany

Sir,—The case presented against the UK Trident programme in your forceful leader of February 20 is flawed in one important respect.

You say that the Trident decision has no "incremental flexibility," implying that it cannot be reduced in scale either to save money or to produce a strategic nuclear capability more in keeping with what the country's requirements might properly be, given the enormous increase in destructive potential between the existing Polaris A3 missile and the Trident D5 replacement.

Your charge is a grave one but it does not seem to be soundly based. The present plans for 16 tube submarines could be altered to 12 tube or 8 tube boats with minimal disruption either to the boat building programme or to financial commitments already entered into with the United States. The method of construction of ballistic missile submarines is modular and the basic design can tolerate a middle missile tube section of anywhere between 4 tubes and 24 tubes in capacity. The missile purchasing arrangements with the United States do not include any penalty clauses and there would be no serious financial obstacle to Britain deciding to reduce the size of her order for D5 missiles from the American makers.

In fact recent calculations show that four 12 tube boats would produce an overall capital cost saving of £1bn on present costs, and four 8 tube boats a saving of £2bn.

Just as important, because most of the saving would be on the cost of missiles, it would impact more on the dollar cost of the programme than on the value of the work to be done in the United Kingdom. This may be especially significant because with the programme as it stands at the present time, at current exchange rates, slightly more than half of the cost will be spent in the United States.

(Professor) Ian Bellany.
University of Lancaster,
Fylde College,
Bailrigg, Lancaster.

Action against terrorism

From the Secretary General, Council of Europe

Sir,—I read with much interest the despatch by James Buxton (February 13) after the Rome meeting of EEC Foreign Ministers.

May I add my voice to Mr Andreotti's call to ratify the 1977 Council of Europe convention on the suppression of terrorism which could indeed prove an effective instrument for counteracting terrorism in the European parliamentary democracies if ratified by all our 21 member states.

Fortunately, the situation is better in this regard than your article suggests: the number of ratifications has already reached 14. Regrettably however, these include only four EEC states (Denmark, Federal Republic of Germany, Luxembourg and the United Kingdom).

Marcelino Oreja.
F67006, Strasbourg

Sources of low productivity

From the Secretary, Institution of Production Engineers

Sir,—The editorial "Sources of low productivity" (February 22) highlights one of the fundamental problems which has plagued British industry for decades. It is really all a matter of attitudes of mind.

For many years now members of this institution have been striving to lift levels of productivity through more effective utilisation of basic resources—manpower, materials and investment. Yet still we find entrenched anti-industry attitudes generally prevailing.

It was said recently by one leading industrialist that Britain is the only industrial nation in the world that does not have an industrial culture. The result is that the enormous reserves of talent that exist in this country are diverted away from manufacturing and into the service industries.

Our educational system, at secondary school level, does not encourage the best young minds to look towards industry as providing a rewarding and satisfying career. Consequently, we find that fewer and fewer young people of the quality we need are choosing to study production engineering to degree level.

While we would agree wholeheartedly with the statement that a concerted effort is needed to raise the level of technical competence in manufacturing, the IProdE believes that it is not just among foreman (we would prefer to call them middle management) where the problem lies. We are of the opinion that the industrial future of the UK can only be assured when all sectors of society wake up to the contribution made to national wealth creation by professional engineers generally and professional production engineers in particular. The outmoded image of manufacturing industry comprising hordes of men in boiler suits with spanners in their hands must be dispelled.

R. J. Miskin
64 Little Ealing Lane, W5.

UK Job Creation Programme

Flashback to last year's Liverpool Garden Festival, which provided the catalyst for a Community Programme project

Back to work —for one year at least

By Alan Pike, Industrial Correspondent

IT BEGAN when Mersey Regional Health Authority decided to offer free 15-minute health and fitness checks to thousands of visitors to last year's Liverpool Garden Festival.

The checks were an instant success and soon attracted the attention of the Community Programme run by Britain's Manpower Services Commission. Now four specially converted double-deck buses, staffed by 130 workers sponsored by the Community Programme, are to tour the North West carrying out fitness checks at factories, colleges and public events.

This is but one example of hundreds of unglamorous, mostly small activities now backed by the Community Programme. Sceptics dismissed it when it was launched by Sir Geoffrey Howe, the then Chancellor, three years ago. But today it is running at its target of 130,000 filled places and a further big expansion may be announced in next month's Budget.

Typical Community Programme projects involve such schemes as clearing and landscaping waste land, adapting buildings, setting up adventure playgrounds or renovating canals. They are of considerable benefit to local communities—and they offer real work to the unemployed.

Workers on the Community Programme must have been unemployed for up to one year, depending on their age. The MSC reimburses sponsors' wage costs, and workers receive the local rate for the job, although this does not make the programme a route to riches. Average wages on a project must not exceed £63 per week.

When Sir Geoffrey announced the programme, critics argued that the level of wages would deter applicants. Take up has indeed been slower in London and the South East than elsewhere. But there is no doubt that if the Government decides to expand the scheme—it is believed to be considering doubling it in size—there will be plenty of applicants.

There is also no shortage of projects waiting to benefit from the attention of Community Programme workers. So, since supporting a job on the programme is currently less than £2,000 per filled place, the case for expansion looks strong. Net costs work out at between 30 and 40 per cent of gross costs, which are at present £524m.

The first follow-up surveys of former Community Programme participants found 32 per cent in employment and a further 5 per cent in training. This, says the MSC, suggests that the scheme "significantly improves participants' ability to obtain work."

But there is also a case for caution about expanding the programme. In Liverpool, some of these doubts are expressed by Tony Chadbourne, principal co-ordinating officer in Merseyside County Council's development and planning department.

The council has been involved in the Community Programme and its predecessors from the beginning, and has helped provide temporary work for more than 5,000 people — most programme sponsors are local authorities, other public bodies or charities and churches. Like several Labour councils, Merseyside has agreed with its unions to top up the MSC wage subsidy, which on its own often provides for only part-time work, so that its Community Programme workers can be employed full-time during their year on the scheme.

Mr Chadbourne speaks proudly of some of the environmental and other improvements which have been made possible by the scheme. "And of course it is good to see unemployed people, many of them youngsters who have never worked before, getting experience of real work. But there are problems which need to be overcome before we get carried away with ideas of increasing the size of the scheme."

Among these worries — and Mr Chadbourne is far from alone in expressing them—are:

● The fact that Community Programme projects last for only 12 months, although they can be renewed, making long-term planning difficult.

● The lack of any necessary link between the type of work open to Community Programme workers and future employment which is likely to be available in their locality; he would like greater local control of the scheme.

● A need for more finance to improve both the standard of schemes and training opportunities available on them.

The Government gave approval last year for a training element to be included in the programme, and the MSC intends that 50,000 participants should be receiving training linked to the Community Programme by 1986-87. By then it plans to be spending £24m per year on Community Programme-linked training.

Many MSC field staff agree that training on the Programme must be given priority. If finance is limited, there is a difficult balance to be struck between increasing the size of the scheme—with its political attractions and immediate benefit for the unemployed—and improving the quality so that people taking part are given the best chance of using it as a stepping stone to future permanent employment.

But as a relatively cheap way of occupying the long-term unemployed on worthwhile projects, the Community Programme has lots in its favour. "Sponsors, Community Programme workers and local communities are all giving the scheme the thumbs up," says Jeremy Surr, the senior MSC official in charge of the programme. "Lots of people said the Community Programme would not work. Now many of those same people are saying it must be extended."

FINANCIAL TIMES
Tuesday February 26 1985

Overseas investors account for over half market turnover, writes John Davies in Frankfurt

U.S. demand drives German stocks higher

FOREIGN BUYING has been the driving force behind the West German share market's rise to new peaks since the beginning of this year.

More than half the turnover has involved foreigners, according to banking circles, compared with 40 per cent late last year and a smaller, though significant, percentage earlier.

The foreign influence so far has been predominantly on the buying side. One highly placed banker estimates that foreigners have been behind 60 per cent of the buying and 40 per cent of the selling.

Assuming that a lot of UK buying is on behalf of Americans, U.S. interest now accounts for more than half the foreign dealings in the West German share market, according to bankers. "The Americans are bigger in the market than the Swiss, who used to be the main buyers," one banker said. "The American interest has been building up steadily over the last two to three years."

Foreigners added DM 3.67bn ($1.07bn) worth of West German shares to their portfolios last year (32 per cent more than in 1983). This was the net result of foreign buying orders totalling DM 19.54bn and selling orders of DM 15.87bn.

The foreigners thus accounted for a sizeable slice of last year's share turnover on West Germany's eight regional stock markets. Official figures put turnover at DM 84.7bn, marginally ahead of 1983, but trading outside bourse hours would add perhaps 20 per cent to this.

FOREIGN INVESTMENT IN WEST GERMAN SHARES (DM billion)

	Purchases	Sales	Net investment	Total turnover*
1980	6.49	5.92	0.57	27.7
1981	8.98	6.51	2.47	30.9
1982	7.85	7.35	0.50	35.2
1983	18.54	15.76	2.78	84.1
1984	19.54	15.87	3.67	84.7

* Excluding local trading of foreign shares
Source: Bundesbank stock market statistics.

As the dollar has risen, West German shares have appeared relatively inexpensive for U.S. investors, notably pension funds. This has added to the attraction of shares which, according to West German bankers, have a number of fundamental economic factors in their favour.

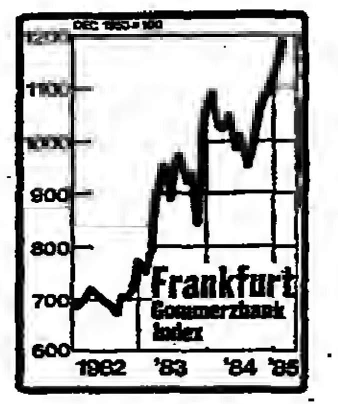
For a start, the West German economy is expected to show further moderate growth of 2.5 to 3 per cent this year, with stimulus coming from exports and investment. Inflation is low by anyone's standards, running at little more than 2 per cent a year. What's more, company profits, which grew by 30 per cent last year, are expected to show a further 15 per cent rise this year.

The Commerzbank index, which closed last year at an all-time high of 1,107.9 (70 per cent up on the trough of August 1982), began this year by going ahead to successive peaks. It touched a record level despite nervousness before and after the Bundesbank's decision on January 31 to raise its Lombard rate – one of its key interest rates.

The share market and the bond market, particularly, have been unsettled, however, by the prospect of a further increase in interest rates in the face of the high U.S. budget deficit and the rising dollar (with its implication of imported inflation in West Germany).

A tantalising question has also been raised in stock market circles in view of the increased U.S. involvement. If the dollar falls, will foreign investors – who may have made currency losses as the dollar rose – sell out in profit-taking exercises, as happened in the 1960s?

Bankers feel that much U.S. buying is medium to long-term, intended to build up an increased West German element in international portfolios. They believe, moreover, that U.S. investors "learned a lesson" in the 1960s and are more sophisticated in bourse trading.



At the same time they are aware that foreigners, while not constantly predominant in bourse dealings, have in the past set off trends by "giving a kick" to the market, as one banker puts it.

With a market capitalisation of DM 246.7bn at the end of last year, the West German bourse fades in comparison with larger stock markets, but has gained some dynamism as more companies have gone public in recent years.

New launchings reached a peak of 21 last year with Deutsche Bank particularly active, and the wave is expected to roll on this year, though perhaps not quite with the same momentum.

In recent buying, foreigners have been attracted to "blue chip" stocks, particularly those benefiting from business in the U.S., such as Porsche, whose non-voting prefence shares were launched on the market last year. Daimler-Benz and major chemical companies have also proved attractive.

Some West German shareholders, including investment funds, have been happy, according to banking circles, to cash in their capital gains by selling to foreigners. With a more discriminating approach, some local investors have turned more to second-ranking stocks and to warrants granting future right to shares. Some Middle East investors have also been selling.

The profitable insurance sector, which has been continually strong with rises of 56 per cent in 1983 and 25.4 per cent last year, has shown the biggest gains so far this year of over 20 per cent.

The long-neglected steel sector has shown a similar rise this year, with Thyssen's profits reflecting the industry's improved outlook after drastic structural changes and job cuts.

Electricals have also made strong gains, with Siemens rising sharply on reports of its investment plans and its more profit-oriented dividend policy.

The building and retailing sectors, as a whole, have lost ground this year in view of concern about building orders, the restrained mood of consumer spending and the strong competition in retailing.

Stock markets, Section III

THE LEX COLUMN

Stampede of the dollar bulls

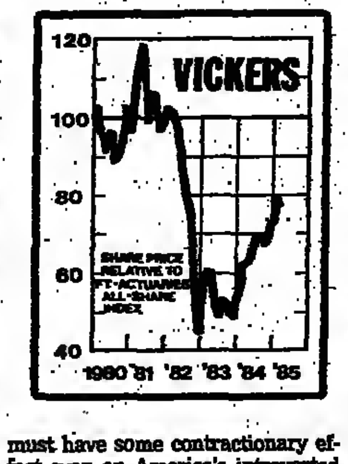
There is no point in pretending that anybody can explain yesterday's stage in the ascent of the dollar. President Ronald Reagan's cavalier remarks about toying with the exchange rate should have burnt themselves out last Friday and nothing emerged over the weekend on either side of the Atlantic to make the dollar more desirable. The only market news any trader could seize on was that the central banks had once again failed to intervene.

Interventionists, especially those who believe in stopping the dollar rather than merely increasing the cost of speculation, are consoling themselves with the belief that the central banks are just biding their time. As the dollar goes through any remaining chart points and the bulls run out of technical excuses to buy, spontaneous profit-taking might make such intervention more effective. For the moment, however, the Bundesbank at least seems disillusioned with the possibility of co-operation; if the Bank of England is worried about committing its reserves, the Federal Reserve has no such excuse: it would be buying reserves. But even with serious help from the Fed, intervention can provide no long-term solution unless the Administration and Congress are prepared to back it up with fiscal measures.

The vertical trading yesterday need not have been entirely the result of speculation. The dollar has now been rising so fast for so long that a new sort of commercial demand is surfacing. Treasurers who had covered themselves by selling dollars forward are now repentant, buying dollars to unwind these embarrassing positions. They could regret that, too.

Until sterling came under fire late in the European afternoon, it was the D-Mark which took most of the flak, allowing the dollar to rise by an apparently unprecedented seven pfennigs on the day. Part of the problem is that President Reagan's disdain for other economies is being reflected in general American pessimism about Europe, and West Germany in particular. An evidently tight fiscal policy and low inflation rate appear to be resulting in stagnation, not an attractive proposition on Wall Street.

Failing the competitive reflation advocated by Mr Reagan, a continued rise in the dollar ought eventually to be self-correcting; the U.S. current account deficit is somebody else's surplus and the net imports must have some contractionary effect even on America's introverted recovery. Anyone who is buying dollars on the assumption that the U.S. can stay permanently ahead of the game is ironically, helping to prove the contrary.



Vickers

Yesterday's preliminary statement had been expected to set the seal on the Vickers recovery, so it was disappointing to see the effect spoilt by something so apparently trivial as scheduling problems in the French office furniture business.

It was the fourth quarter losses from that area which left 1984 profits trailing behind the market's forecasts and pushed the shares down 8p to 235p.

The market's judgment was perhaps ungenerous – Vickers is now back on schedule in France – but it reflected some residual suspicion about the length and strength of central management's arm.

Mr David Plastow and his colleagues have largely accomplished the strategic goals they set on arrival from Rolls-Royce, the balance sheet has been tidied up and the group can point to growth prospects more interesting than most in the UK engineering sector. Vickers still has a habit, however, of tripping up on something just when the business appears to be running smoothly.

In 1983 the problem was Rolls-Royce Motors and here at least Vickers is back on course. Indeed the recovery at Rolls accounts for all the improvement in pre-tax profits from £19.5m to £30.8m. The Rolls performance would have been better still but for the company's prudent decision to sell dollars 18 months forward in the middle of 1983. Rolls has done the same again this year – which may not look too clever at yesterday's exchange rate – but at least guarantees a respectable margin throughout 1985.

While Vickers has made Rolls less sensitive to movements in exchange rates and U.S. consumer demand, the division does not offer much by way of volume growth.

Much the same goes for the other two principal divisions – lithographic plates and defence. Lithographic did well almost to hold profits after a steep rise in aluminium prices, while defence is benefiting nicely from a big Nigerian tank order. Neither will show enough growth, however, to make the share price rating – a prospective yield of over 7 per cent and a multiple of 6.7 times (assuming pre-tax profits of £40m taxed at 20 per cent) seem unduly pessimistic.

What Vickers might need is an acquisition in one of its smaller divisions, something for which its management has both the appetite and the resources.

Kean & Scott

Kean & Scott's purchase of Moben last September showed the style of a Hawley Group acquisition: within a troubled business, a cash-generating operation seemed to be struggling to get out. Five months later, Kean & Scott must be regretting it had not left Moben to the receiver and then picked it up; three divisions have since gone into receivership while Kean & Scott has had to commit the larger part of its distributable reserves to sort out the fitted-kitchen business which remains. Whatever recompense Kean & Scott may gain for being so wrong about Moben, its balance sheet will have deteriorated sharply.

Kean's USM shareholders, who were informed fairly brutally about Moben's problems in a letter earlier this month, learn little more from yesterday's results to the end of December. Since no interest charge is given, it is not possible to guess what Moben borrowings the balance sheet will show. Admittedly, a modicum of equity gearing matters little for a company that turns over its stock every fortnight; but for 1985 at least, Kean & Scott will not enjoy the easy run through to the bottom line it has shown to date. Moben and Kitchens Direct are a real force in the fitted-kitchen market, with combined sales of over £80m; but Moben does not seem likely to contribute much to earnings before 1986.

Fermenta in merger talks with state group

By Kevin Done in Stockholm

FERMENTA, the fast-growing Swedish biotechnology and fine chemicals company, and KabiVitrum, the state-owned pharmaceuticals concern, have started talks about a possible merger.

In a short statement the two companies said a merger could "give greater possibilities for expansion, together with a better utilisation of plant capacity."

A working group comprising representatives from the two groups and Procordia, the state holding company which is the parent company of KabiVitrum, has been set up to investigate the advantages of a merger.

Mr Gösta Bystedt, chairman of Fermenta, stressed last night that talks were still at a preliminary stage. It was far from clear whether present government policy would allow the disposal of any part of the state's holding in KabiVitrum, he said.

Fermenta is chiefly a manufacturer of bulk penicillins – intermediate chemicals used in the manufacture of pharmaceuticals – and accounts for about 10 per cent of world production. It was launched on the Stockholm stock market last summer and has been expanding quickly with a spate of acquisitions in the U.S. and Italy.

It expects sales this year of about SKr 700m ($73m) and profits of SKr 154m, but additional sales of about SKr 650m will come from its recent takeover of Pierrel, an Italian producer of chemicals, pharmaceuticals and consumer products.

KabiVitrum is the world's largest producer of human growth hormone using conventional techniques. It also produces the hormone using recombinant DNA techniques.

It has successfully integrated new technologies such as genetic engineering and recombinant DNA technology into the production of pharmaceuticals and is concentrating its future international growth in biochemical products.

In 1983 it had a turnover of SKr 1.26bn, profits of SKr 175m (after financial items) and a workforce of 2,260.

Oslo plans improved terms in new offshore licence round

BY FAY GJESTER IN OSLO

FOREIGN oil companies will be offered better terms than previously under Norway's ninth offshore licensing round, due to be announced this week, according to Mr Hans Henrik Ramm, special adviser on oil affairs to the Ministry of Finance.

The Government has decided to modify the controversial "sliding scale" proviso, which has been attached to all licences granted since 1973, he said.

That allows Statoil, the state oil company, to increase its initial half-share of a concession by a series of steps to a possible 85 per cent, depending on production volume when a field comes on stream. While Norwegian oil companies have sometimes been exempted, no such concession has yet been granted to Statoil's foreign partners in a licence consortium.

Oil companies dislike the proviso because it complicates long-term planning of a field. Each partner in a licence group knows the size of its initial stake but not what it will finally end up with should Statoil exercise its option.

Formal Cabinet approval of the ninth-round licences, originally expected at the weekend, has been delayed until next Friday, apparently while minor details are revised.

Mr Ramm said most of the 11 licences due to be awarded would give Statoil only a "single step" option – to increase its share from 50 per cent to a percentage specified in advance.

Statoil, meanwhile, has confirmed its interest in principle in buying stakes in European gas distribution networks as a way of helping sales of Norwegian sector gas, which the company has been given the job of marketing.

The company was commenting on Danish reports that it was seeking a stake in Denmark's recently completed gas grid. While it had no such plan at the present, a spokesman said, it would consider any offer the Danes might make.

A stake in the Danish gas distribution system – possibly coupled with storage space making it easier to meet seasonal demand fluctuations – would facilitate sales not only to Denmark, but to West Germany and southern Sweden as well. Statoil's provisional agreement to sell $21bn worth of Norwegian Gas to the British Gas Corporation was recently vetoed by the British government.

BP urges reform of UK oil pricing

By Ian Hargreaves in London

BRITAIN'S systems for setting North Sea oil prices should be reformed but not scrapped, British Petroleum (BP) said yesterday.

BP is the first oil company publicly to express the view on the future of the British National Oil Corporation (BNOC).

The group was giving evidence to the UK House of Commons Energy Committee examining the role of BNOC in North Sea pricing as part of its scrutiny of British government requests for funds to cover BNOC's large trading losses.

A written memorandum from BP argued that BNOC should switch gradually to "a more flexible mix of contracts and prices in a way which reduces its exposure to speculative factors."

BP advanced two ideas to reduce the amount of oil flowing through BNOC's hands:

- BNOC should modify its participation agreement with individual oil companies to permit BNOC to reduce the amount of oil it takes to less than the statutory 51 per cent.
- The Government should waive its right to receive royalty payments in oil (these are then sold by BNOC) by taking some royalty in the form of cash when the oil market is weak.

BP said that neither move could or should be made swiftly. Six to 12 months' notice would have to be given to change the terms of participation agreements.

The fact that BNOC takes 51 per cent of North Sea crude, plus royalty oil, means that it trades around 800,000 barrels a day of crude.

This large volume of oil, currently being sold on the spot market, is seen as a destabilising factor in the world oil market.

Mr David Simon, BP's general manager for trade and supply, told the committee that BP would not necessarily support BNOC's abolition without knowing what would replace it.

"The uncertainty of a world without BNOC would be very problematic for the operator," he said.

BP's written evidence also highlighted the confusion over North Sea taxation arrangements.

In its session before Christmas, the UK Treasury told the committee that the oil price used for levying tax on North Sea companies was a mixture of BNOC's official prices and actual market transactions.

BP flatly contradicted this claim. "In our experience to date the Inland Revenue has rarely accepted anything other than BNOC's price. Even in steeply falling markets, where the BNOC price has lagged behind spot prices, the BNOC price has usually been taken as the tax reference price."

BP called for a more flexible approach in taxing oil which is shipped by an integrated company from its own oilfields to its own refineries.

Because spot market prices had frequently been lower than official BNOC prices, Mr Simon said, BP had been faced with the prospect of paying tax at a rate of more than 100 per cent on its oil production.

Setback for Irish oil, Page 2

Mr Yitzhak Shamir

Israelis welcome peace plan

Continued from Page 1

ment marks a substantial step forward in Middle East peacemaking.

Mr Shamir also had no luck in persuading France to absorb more of Israel's $1.5bn trade deficit with the EEC. The French Government takes the view that two-way agricultural trade between France and Israel is in balance and that French exports are even declining.

Mr Shamir is also visiting West Germany and the Netherlands to discuss the adverse impact of the entry of Spain and Portugal into the EEC on Israeli agricultural exports. The EEC absorbs about 70 per cent of Israeli agricultural produce.

Nearly 50% of UK miners now working

Continued from Page 1

where the issue is likely to be raised.

In the north east of England, where 1,282 men crossed picket lines, a stormy branch meeting at Easington colliery – the area's biggest – made a similar call. Some 1,500 of the pit's 2,000 miners demanded a Durham area conference to call for the national executive to organise a return to work in all the coalfields.

The proposal, which has steadily gained ground over the past few weeks, remains opposed by the NUM national leadership and by some of the area leaders. However, it is finding credence with local leaders and activists, who see the strike crumbling at their level but cannot bring themselves to give assent to an agreement they see as humiliating.

There may be attempts to discuss the issue at a meeting of the union's national executive on Thursday.

Dr David Hunt, the Coal Minister, played down all suggestion of humiliation when he said "There must be no talk of victory or defeat – moderation not militancy is the message of hope for the future of the coal industry."

Mr Michael Eaton, the NCB's communications chief, said: "Inexorably, men will continue to return to work as they feel let down by the leadership of their union."

Mr Scargill – in apparently high spirits as he went to a meeting with senior leaders of the Trades Union Congress – said: "The fact is 124,000 of our members are not at work. That really should show after 12 months the determination of our members."

Telecom talks shelved

Continued from Page 1

phone (NTT), is to be transformed into a private company, although still under government control.

The legislation covers not only the change in NTT's status and the openings for other carriers, but also complex issues such as procurement policies and the role of foreign concerns in the Japanese telecommunications market.

Japan is currently also drawing up, supposedly by the end of March, another of its market opening packages in accordance with promises made by Mr Yasuhiro Nakasone, the Prime Minister, to President Ronald Reagan during their meeting in California early in January. Although telecommunications are expected to form a part of that, there seems to be some doubt now that it can be completed by the deadline.

Japan has also said that domestic political considerations make it impossible to meet U.S. demands for the dismantling of protective tariffs around its plywood industry. The U.S. complained again yesterday about lack of progress in that area, while parallel negotiations on electronics and pharmaceuticals have also yet to show much progress.

Nancy Dunne in Washington writes: The United Auto Workers' Union and several Congressmen will push new legislation specifically aimed at Japan that would establish a ceiling on the overall bilateral trade deficit the U.S. would permit with any one country, according to Mr Owen Bieber, the union's president.

The proposed "Trade Deficit Reduction Act of 1985" would also limit the imports of individual industries from individual countries, Mr Bieber said.

"The initial impact would be on Japan, since that is where the largest single-nation deficit exists," he said. "That would help the auto industry. But it would also help others ... who lose work to Japanese imports or are shut out of Japanese markets."

Mr Bieber said it was an "outrage" that President Reagan's economic and trade advisers have proposed to end U.S. limits on Japanese motor imports at a time when the trade deficit with Japan is $37bn.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	S	10	50	Malaga	C	14	57	Salzburg	S	6	43
Akrotiri	S	9	48	Faro	C	14	57	Malta	—	—	—	Seoul	S	1	34
Algiers	S	17	63	Florence	S	14	57	Manila	S	34	93	Singapore	F	31	88
Amsterdam	S	10	50	Frankfurt	S	7	45	Miami	C	24	75	Stockholm	S	-1	30
Athens	C	4	39	Funchal	F	17	63	Milan	S	7	45	Strasbourg	S	7	45
Bahrain	S	20	68	Geneva	C	4	39	Moscow	F	-7	19	Sydney	S	25	77
Bangkok	S	34	93	Gibraltar	C	14	57	Munich	S	2	36	Taipei	C	23	73
Barcelona	F	12	54	Guernsey	S	9	48	Nairobi	F	25	77	Tangier	C	17	63
Beirut	S	10	50	Helsinki	Sn	-6	21	Naples	—	—	—	Tehran	—	—	—
Belgrade	C	-3	27	H. Kong	C	16	61	New Delhi	S	22	72	Tel Aviv	S	9	48
Berlin	C	5	41	Innsbruck	S	5	41	New York	S	15	59	Tenerife	—	—	—
Biarritz	R	14	57	Inverness	S	1	34	Nice	F	13	55	Tokyo	S	9	48
Blackpool	C	9	48	Istanbul	Sn	-3	27	Oporto	C	15	59	Toronto	R	9	48
Bordeaux	F	10	50	Jersey	F	7	45	Oslo	S	0	32	Tunis	C	12	54
Brussels	C	10	50	Jo'burg	S	27	81	Paris	C	9	48	Valencia	S	10	50
Budapest	F	-4	25	Las Palmas	—	—	—	Prague	F	4	39	Venice	S	8	46
B. Aires	F	34	93	Lima	F	27	81	Reykjavik	F	1	34	Vienna	C	6	43
Cairo	C	24	75	Lisbon	C	13	55	Rio de J'o	C	28	82	Warsaw	C	1	34
Cape Town	S	28	82	Locarno	C	8	46	Rome	S	15	59	Zurich	S	7	45
Caracas	C	25	77	London	C	9	48								
Casablanca	C	16	61	Los Angeles	S	25	77								
Copenhagen	C	0	32	Luxembourg	S	9	48								
Corfu	S	13	55	Madrid	F	9	48								
Dublin	F	9	48	Majorca	F	15	59								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

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SECTION II – INTERNATIONAL COMPANIES
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Toshiba may buy stake in Sord

By Jurek Martin in Tokyo

TOSHIBA, the Japanese electronics concern, may acquire a majority interest in Sord Computer, the troubled, privately owned software and hardware personal computer company.

Neither company would comment and both said a formal announcement would have to wait until later this week. It seems increasingly obvious, however, that Sord's survival rests on it becoming a fully fledged subsidiary of Toshiba.

The most likely device, according to informed sources, would be for Toshiba to inject approximately Y2.4bn ($9.1m) into Sord. This would give Toshiba about 48 per cent of Sord's new capital base of Y5bn.

Majority ownership could result by Toshiba simply acquiring some of the existing private shares. There were persistent reports in Tokyo market circles yesterday of Sord shareholders—some foreign venture capitalists-trying to unload their stock.

Mr Takayoshi Shiina, the founder and charismatic head of Sord, would probably be retained, but Toshiba would send in a cadre of middle-to-upper management staff to run Sord's finances, administration and manufacturing facilities.

Sord's share of the personal computer market in Japan has dropped from nearly 20 per cent two to three years ago to about 4 per cent. Its problems in meeting the competition and price cutting of the major computer companies, including IBM, NEC, and Fujitsu, have been compounded by unreliable supplies of integrated circuits and poor sales and service networks.

Toshiba can presumably fill these gaps (it makes its own integrated circuits). It is also being suggested that acquiring a once glamorous, high-flying concern like Sord would improve Toshiba's rather stuffy image.

FINANCIAL TROUBLES DEEPEN AT TENTH CREDIT AND CATHAY PLASTICS

Taiwan arrests 10 executives

BY BOB KING IN TAIPEI

THE TAIWAN authorities have arrested 10 senior executives from the Tenth Credit Co-operative and Cathay Plastics Corporation in connection with financial problems at the two related companies.

Tsai Chen-Chou, the head of both companies, last night appeared on television to pledge some of his personal wealth to cover claims against Cathay Plastics.

Although the Chinese new year holidays brought a temporary respite to Cathay Plastics and Tenth Credit, whose financial troubles over the past two weeks have severely shaken confidence in Taiwan's financial system, the two companies' troubles are far from resolved.

Creditors of Cathay Plastics, one of about 100 companies that fall under the mantle of the huge Cathay Group, threatened to spend the holidays at the home of Tsai unless they were paid.

Estimates place Cathay Plastics' debts at more than NT$10bn (U.S.$250m) and although the Government has taken a stand behind Tenth Credit, bankers fear that further allegations of irregularities could undermine confidence in other Cathay group companies.

The Government has charged Tenth Credit with lending more than the 78 per cent of assets allowed by law. It ordered the bank to cease lending operations for three days, which started a run that ended only when a government-owned bank assumed Tenth Credit's liabilities and took over its management.

Taiwanese newspapers quoted the Government as saying that Cathay Plastics executives had obtained the identification cards and chops (personal seals) of Cathay employees under the pretext of opening accounts for them at Tenth Credit, then used the employees' names to obtain loans to finance the operations of Cathay group companies.

Even low-level office workers found themselves suddenly in debt for substantial amounts as a result. Panic spread as far as Cathay Investment and Trust Corp, owned by Tsai's brother.

A Finance Ministry official said privately that the Government had planned to move against the bank after the new year holidays. "But events moved too fast," he said. The Government subsequently suspended seven top officials of the bank – one of who was discovered to have already fled the country – but left Tsai in place.

Whatever the outcome, the case is a clear illustration of the problems that have been plaguing Taiwanese companies and financiers for the past two years. Foreign bankers have an accumulated $452m in problem loans over that period. Their exposure at Cathay Plastics adds another $14m to that figure, and bankers said that dubious loans to other firms could bring the total close to U.S.$600m – or more than 1 per cent of Taiwan's gross national product last year.

The case also points out severe shortcomings in Taiwan's finance and business environment. Most of the $452m in problem loans suffered by the foreign banks came from supposedly sound firms.

Subsequent investigations often turned up evidence of financial misreporting; non-existent or worthless assets, unreported obligations and guarantees, overstated turnover and earnings.

Esab hit by heavy regrouping costs

By David Brown in Stockholm

ESAB, the Swedish welding equipment group, said heavy restructuring costs held back the 1984 results, but forecast a "significant improvement" this year.

Last year the group recorded pretax profits of SKr 140m, a drop of SKr 11. Turnover rose by 22 per cent to SKr 3.07bn, and tha operating result after depreciation was up by 17 per cent to SKr 232m.

The group also said yesterday that it would issue 345,500 shares worth SKr 100m ($10.7m) to pay for the welding activities of Philips of the Netherlands.

Esab has been actively buying market shares through acquisitions over the past several years, and now claims to control about 25 per cent of the European welding market. Mr Bengt Eskilson, the managing director, says Esab's acquisition phase is now over and efforts will increase to produce greater concentration.

One-off sale may put Braniff into the black in fourth quarter

DALLAS – Braniff, the U.S. airline which emerged from Chapter 11 bankruptcy proceedings in March 1984, will report a loss for the year ended January 31, but expects to report its first profit from operations in the current quarter.

Mr Ron Ridgeway, president, declined to disclose the amount of the annual loss but said that Braniff would report net income for the fourth quarter because of a previously reported sale of leases on nine gates at the Dallas-Fort Worth airport to American Airlines for $20.5m. Without that sale, he said, tha carrier would have posted a loss for the quarter.

For the nine months ended October 31, Braniff posted a net loss of $81.9m on revenue of £170.6m.

Mr Rideway said: "On an operating basis, we have dramatically stemmed our losses since last October." He said that Braniff's advance booking inventory "exceeds our best month last summer," when Braniff flew 30 aircraft from its Dallas-Fort Worth hub. The airline has pared its service in recent months and now operates only 12 aircraft from that airport.

Mr Ridgeway said that for January, the airline's load factor, or the percentage of available seats filled, was 63 per cent, which is about what it needs to break even. February results, he said, exceeded the break-even point. He declined to give a specific earnings estimate for the first quarter ending April 30.

Since emerging from Chapter 11 the airline has gone through several major changes. It has scaled down its operations significantly, reducing its fleet from 30 aircraft to 20. It has cut its staff from 2,100 employees to about 1,100, and since last October, when Mr Ridgeway became president, most of the carrier's previous management team has left.

AP-DJ

SGS share issue to raise SwFr 75m

By Our Financial Staff

SGS, the Swiss quality control and risk management group, plans to raise SwFr 75.2m ($26.4m) through a share issue.

The company, which recently elected to its board Herr Fritz Leutwiler, the former head of the Swiss national bank, is to issue 20,000 registered shares at SwFr 3,760 each.

This will be the first time that SGS has issued registered shares. The offer is open to the public until March 6.

SGS is a world leader in the inspection of goods in transit, notably in areas like industrial and consumer goods and agricultural produce.

The new shares, eligible for dividends from January 1 this year, are expected to be listed on the Geneva bourse soon and on the Zurich bourse in June.

Georgia bank acquires Landmark of Florida

BY WILLIAM HALL IN NEW YORK

CITIZENS & Southern Georgia, the biggest bank in Georgia, has agreed to buy Landmark Banking Corporation, Florida's fifth biggest bank, for about $500m.

The deal, which will create the fourth biggest banking group in south-east America with assets of close to $12bn, was first announced last week but was delayed because of difficulties in reaching agreement on some accounting issues.

Citizens & Southern is exchanging 0.92 of each of its shares for each Landmark share, which will involve the issue of 19.7m new C&S shares. These were valued at $22.75 on February 15, putting a stock market value of $448m on the deal. In addition, C&S is buying Landmark's preferred stock for $65m in cash. Since the deal was announced C&S shares have fallen and yesterday morning were trading at $20.5.

The transaction gives a useful clue to the premiums which are being paid in takeovers in the fast growing south-eastern banking market. Before the decline in the C&S share price, the deal valued Landmark at $21 a share, about twice its book value of $10.50 a share. In 1984 it reported fully diluted earnings of $1.38 a share, which implies an exit multiple of 15.2.

Assuming that the deal wins the various regulatory and shareholder approvals, the new banking group will have a stock market capitalisation of $1.1bn and almost 300 offices in Georgia and Florida. The North Carolina-based NCNB continues to be the biggest bank in the region, followed by the proposed merger of Sun Banks and Trust Company of Georgia, and then Barnett Banks of Florida.

Castle & Cooke fails to pay interest on debt

By Our New York Staff

CASTLE & COOKE, the financially troubled food products and real estate concern which is trying to reschedule $250m of its debts, has defaulted in some of its principal and interest payments.

The San Francisco-based company said yesterday that certain of its private unsecured lenders had notified the trustees under the indentures governing the company's public 5¾ per cent convertible subordinated debentures, due 1994, and 12 per cent subordinated notes, due 1991, that the company had failed to pay principal or interest when it fell due on those debts.

Castle & Cooke is requesting waivers to allow the payment of interest on its public subordinated debt, which currently stands at around $100m

Dornier says it 'will not sell'

By John Wicks in Zurich

DORNIER, the West German aerospace concern, does not intend accepting a takeover offer although interest has been shown by companies including Daimler-Benz and United Technologies.

Mr Justus Dornier, who with two family members holds a majority stake in the group, said in Zurich yesterday: "We are not selling."

Another brother, Mr Claudius Dornier, is understood to be interested in selling his 12.8 per cent stake. The Justus Dornier faction has said, however, that it is seeking "to keep these shares close to the existing company."

Abitibi offers C$53m for envelope producer

BY BERNARD SIMON IN TORONTO

ABITIBI-PRICE, the Canadian forest products group, is extending its downstream activities by offering to buy for C$53m (U.S.$39.25m) Barbecon, the country's largest envelope manufacturer and distributor of printing papers.

Barbecon reported earnings of C$5.5m in 1984 on sales of C$213m.

Abitibi, the world's largest newsprint producer, is actively lowering its dependence on raw materials. In the past five years it has significantly reduced exposure to the depressed lumber industry and extended its interest in higher value-added paper products.

The contribution of paper converting and distribution and fine paper manufacturing to Abitibi's sales rose to 27 per cent last year from 25 per cent in 1983.

Earlier this month the company bought CIP Daxion, a Canadian supplier of paper packaging products to hospitals, hotels and the fast food industry. The company last year bought control of a Chicago-based paper distributor to give it a foothold in the U.S. market.

Abitibi's earnings advanced by 84 per cent last year to C$70.1m on sales of C$2.1bn. Higher profits from fine paper manufacturing and groundwood papers contributed to the improvement.

CONTRACTS

INTERNATIONAL COMPANIES and FINANCE

Bahamas orders of $4.3m for Rush & Tompkins

RUSH & TOMPKINS INTERNATIONAL has won two government contracts in the Bahamas worth $4.33m (£4m). The largest is for new customs and immigration facilities at Nassau International Airport. Valued at $3.88m (£3.53m) the project includes construction of a 56,000 sq ft single-storey steel frame building containing offices, an immigration hall, baggage claim facilities and toilets. Work is to be completed in early 1986. Rush & Tompkins has also won a $451,430 (£410,390) contract to build a 10,000 sq ft extension to Fresh Creek Primary School in Andros. Both contracts are being undertaken in joint venture with Guarantee Builders of Nassau.

★

RUSH & TOMPKINS' international construction division has won a £4.25m (Maloti 7,769,000) highway contract with the Ministry of Works in Lesotho. Funding is by the European Development Fund. The project comprises 16.7 miles of bituminous carriageway between Mohale's Hoek and Mekaling incorporating a five-span bridge across the river Maphutsaneng. The bridge has been designed by the roads branch of the Ministry of Works in reinforced concrete, but the contractor is currently discussing a steel alternative.

★

The management contracting division of TAYLOR WOODROW CONSTRUCTION has been awarded a contract worth £3.5m by London Regional Transport for the replacement of passenger lifts at Covent Garden, Holland Park and Belsize Park underground stations. All three stations will remain open throughout the projects, and provision has been made in the contract for extensive temporary work to lessen the inconvenience to travellers while lifts are out of service.

★

Hove Borough Council has awarded CORRALL CONSTRUCTION a further management fee contract worth £974,000 for the modernisation of 100 houses at the South Portslade Housing Estate, Hove. Under the contract Corrall is responsible for the design and implementation of the scheme, which offers tenants a choice of packages, which include: central heating, new bathrooms, kitchens and internal redecoration. There are also some external repairs being undertaken under the contract, which is due for completion in February 1986.

N. American quarterly results

FRUEHAUF CORP.
Truck, trailers and auto parts

Fourth quarter	1984 $	1983 $
Revenue	678.5m	622.2m
Net profits	22.6m	18.8m
Net per share	1.14	0.97
12 months		
Revenue	2.8bn	2.1bn
Net profits	86.2m	8.4m
Net per share	4.31	0.27

GILLETTE
Razor blades and toiletries

Fourth quarter	1984 $	1983 $
Revenue	594.5m	569.6m
Net profits	37.3m	36.2m
Net per share	1.21	1.19
12 months		
Revenue	2.29bn	2.18bn
Net profits	159.3m	145.9m
Net per share	5.16	4.78

LOBLAW COMPANIES
Retailing

Fourth quarter	1984 $	1983 $
Revenue	1.58bn	1.44bn
Op. net profits	18.7m	18.9m
Op. net per share	0.48	0.44

JAMES RIVER
Special papers manufacturer

Third quarter	1984-85 $	1983-84 $
Revenue	582.6m	558.7m
Net profits	14.9m	20.7m
Net per share	0.42	0.67
Nine months		
Revenue	1.84bn	1.62bn
Net profits	67.3m	65.9m
Net per share	2.08	2.32

REVLON
Cosmetics

Fourth quarter	1984 $	1983 $
Revenue	639.3m	636.2m
Net profits	33.3m	36.8m
Net per share	0.87	1.03
Year		
Revenue	2.4bn	2.38bn
Net profits	112.1m	111.2m
Net per share	2.93	2.81

SQUIBB
Drugs, cosmetic

Fourth quarter	1984 $	1983 $
Revenue	523.7m	477.2m
Net profits	48.9m	42.7m
Net per share	0.93	0.81
Year		
Revenue	1.89bn	1.77bn
Net profits	197.2m	172.7m
Net per share	3.68	3.30

TEXAS AIR
Airline

Fourth quarter	1984 $	1983 $
Revenue	399.2m	185.1m
Net profits	11.3m	55.5m†
Net per share	0.62	4.55†
Year		
Revenue	1.37bn	1.25bn
Net profits	50.3m	177.9m†
Net per share	2.83	14.58†

† Loss

UNIROYAL
Tyres

Fourth quarter	1984 $	1983 $
Revenue	518.4m	507.3m
Op. net profits	18.2m	20.7m
Op. net per share	0.44	0.59
Year		
Revenue	2.12bn	1.83bn
Op. net profits	100.2m	71.2m
Op. net per share	2.51	2.16

VF CORP
Clothing

Fourth quarter	1984 $	1983 $
Revenue	304.4m	275.1m
Net profits	31.2m	28.8m
Net per share	1.01	0.91
Year		
Revenue	1.16bn	1.1bn
Net profits	124.7m	118.4m
Net per share	3.92	3.64

WASTE MANAGEMENT
Largest U.S. waste disposal group

Fourth quarter	1984 $	1983 $
Revenue	387.9m	274.4m
Net profits	35.2m	29m
Net per share	0.80	0.60
12 months		
Revenue	1.3bn	1bn
Net profits	142.5m	120.4m
Net per share	2.83	2.50

WENDY'S INTERNATIONAL
Fast-food restaurants

Fourth quarter	1984 $	1983 $
Revenue	260.9m	232.1m
Net profits	17.7m	14.8m
Net per share	0.52	0.27
Year		
Revenue	944.5m	720.4m
Net profits	61.7m	55.2m
Net per share	1.25	1.01

Pao counter-ploy in Wheelock fight

BY DAVID DODWELL IN HONG KONG

SIR YUE-KONG PAO, the Hong Kong-based shipping and property billionaire, has moved back on to the offensive in the take-over contest for Wheelock Marden, the trading, shipping and property group—not with an increased offer for Wheelock itself, but with a HK$322m (US$41m) bid for Allied Investors, a quoted associate.

The main incentive for making the offer is Allied's 6.8 per cent shareholding in Wheelock—a stake that may have a critical bearing on the outcome of what has developed into one of the most intriguing bid battles ever to be staged in Hong Kong.

However, the offer has been clothed in numerous conditions, prompting many local analysts to question whether or not it was a red herring.

Sir Y. K. wasted no time after the enforced truce of the Chinese New Year celebrations in responding to a HK$2.36bn cash offer for Wheelock—made a week ago—from Tan Sri Khoo Teck Puat, the similarly wealthy Singapore-based financier, through Falwyn, a company set up in Hong Kong in order to make the bid.

In the six days before the festival began, the two men crossed swords in an auction which lifted the value of the long-ailing Wheelock group from HK$1.8bn to HK$2.36bn.

Since bidding began, Tan Sri Khoo has captured control of shares amounting to about 25 per cent of the voting control in Wheelock. Sir Y. K. has control of just under 35 per cent. With no other substantial share stakes still available in the market, the Allied stake could make Sir Y. K. virtually impregnable if his bid for the company were to succeed.

N. M. Rothschild, acting as financial advisers to Tan Sri Khoo, commented yesterday: "At the moment we still have the best offer on the table for Wheelock. We see no reason to do anything except await Sir Y. K. Pao's next move."

Sir Y. K., bidding through the Hongkong and Kowloon Wharf and Godown Company, his quoted property subsidiary, has offered HK$11.0 per share for Allied. This amounts to a premium of about 26 per cent on the last traded price of Allied shares. Apart from its holding in Wheelock, Allied has stakes in two other Wheelock associates — the Cross Harbour Tunnel Company, and Beauforte Holdings, the shipping group.

The bid has nevertheless been made conditional on Sir Y. K. succeeding in his assault on Wheelock—a move that has variously astonished or bemused local analysts, since his Wheelock bid has been effectively overtaken by Tan Sri Khoo's latest offer of HK$7 per A share. Sir Y. K. Pao's bid was pitched at HK$6.60.

The Allied bid was thus seen more as signalling plans for an improved offer from Sir Y. K. Pao for Wheelock than as a genuine bid in its own right. Meanwhile, it has eliminated any small chance of Tan Sri Khoo capturing Allied's Wheelock stake while the main contest continues. It makes an early end of the contest for control of Wheelock extremely unlikely.

One complication revealed yesterday by the Allied board is the fact that cash offers have been made by both combatants for their Wheelock stake in its own right. These offers—worth between HK$245m and HK$260m—have to be evaluated alongside the full bid for the company. Baring Brothers is acting as financial advisers to the board.

A second complication is that while Allied holds shares in Wheelock, Wheelock itself controls over 49 per cent of the shares in Allied. Sir Y. K.'s bid for Allied is therefore unlikely to succeed without acceptance by the Wheelock board. But under the Hong Kong Takeover Code, a company that is already the subject of a bid cannot dispose of material assets without a full meeting of shareholders—a procedure that will take at least two weeks.

Volkswagen raises sales to DM 46bn

By John Davies in Frankfurt

VOLKSWAGEN, West Germany's biggest car manufacturer, increased worldwide sales by 14 per cent to DM 45.7bn ($13.52bn) last year, despite the labour conflict in the motor vehicle industry.

VW reiterated in a preliminary report yesterday that it would show a group profit for last year after losses totalling DM 515m in the previous two years. It gave no indication of whether it would resume a dividend.

The company, which is 20 per cent owned by the Federal Government and 20 per cent by the government of Lower Saxony, last paid a dividend of DM 5 per share on its 1981 results, when it made group net profits of DM 136m.

The rise in revenue last year reflects an increase in export earnings, especially in the U.S., with the strong dollar boosting receipts in D-mark terms. But the rise also comes from a market trend towards higher-priced models.

Despite disruption to production during the dispute in May and June, VW and its Audi subsidiary produced 2.14m vehicles last year, 1.5 per cent more than in 1983.

Pre-tax profits up 34% at UEP

BY WONG SULONG IN KUALA LUMPUR

UNITED ESTATES Projects, a leading Malaysian property developer, has reported a 34 per cent rise in pre-tax profits to 58.4m ringgit (US$23.3m) for 1984, exceeding its forecast of a profit of 54m ringgit despite a depressed property market.

After-tax profits were 40 per cent higher at 30.4m ringgit and the company also made an extraordinary gain of 16.6m ringgit from the sale of its Subang View Hotel to the Faber Merlin group. Turnover rose by 28 per cent to 152m ringgit.

While most property companies faced sluggish demand, UEP housing projects sold well due to attractive designs, pricing and locations, the company said.

UEP is now 47 per cent owned by Sime Darby, the plantation-based group, which recently made a share exchange offer to UEP shareholders. Sime said it intends to build up its stake to over 50 per cent.

● Malaysian Tobacco Company, the 62 per cent-owned subsidiary of BAT Industries of the UK has purchased a 25 per cent stake in Arab Malaysian Insurance, the insurance subsidiary of Arab Malaysian Merchant Bank.

Mr Alexander Christodolo, the chairman of MTC, said the company paid "about 10m ringgit" (U.S.$4m) for the stake. He said it was natural for MTC to be looking to the insurance industry for expansion opportunities since BAT was now a leader in this field through its control of Eagle Star Holdings, one of the largest UK insurance groups.

Arab Malaysian Insurance (formerly Teguh Insurance) was purchased by Arab Malaysian Merchant Bank last May. It has a paid-up capital of 5m ringgit, total assets of 30m ringgit and annual gross premium income of 27m ringgit.

MTC's other non-tobacco investment is a 25 per cent stake in Hong Kong Printing, a leading Malaysian printing company on Penang Island.

Increased earnings for RMB

BY JIM JONES IN JOHANNESBURG

RAND MERCHANT BANK (RMB), the privately-owned South African banking company, has disclosed an increased taxed profit of R2m ($0.97m) after transfers to inner reserves for the 15 months to end 1984 compared with R1.2m for the previous year. Transfers to general reserves has been increased to R1.14m from R325,000 and dividends of 25 cents a share have been declared against 20 cents a share for the previous year.

Total assets were R123.7m at the end of 1984 against R90.4m on December 31 1983. Mr Johann Rupert, the chairman, expects banking profits to remain under pressure in 1985, but adds that following the merger with Rand Consolidated Investments (RCI), the investment company, the merged group is in a good position to make use of profitable opportunities.

Mr Rupert has relinquished his executive duties at RMB following his appointment as an executive director of Rembrandt, the tobacco, liquor and industrial conglomerate founded by his father Anton Rupert. RMB plans to obtain a listing on the Johannesburg stock exchange within two years.

● Kirsh Trading, the South African supermarket and retailing group, has acquired the outstanding 70 per cent of Dion Stores, the retail discount chain, that it does not already own. The cost of the acquisition has not been disclosed but will largely be settled by the issue of Kirsh shares and a small cash consideration.

Mr Dion Friendland, Dion's chairman and erstwhile controlling shareholder, says that sale of his controlling interest became necessary after Dion suffered a R14.3m foreign exchange loss in 1984. Dion has also suffered a sales drop since the introduction of austerity measures and higher sales taxes last year.

The discount chain's liquidity is to be restored by selling unmortgaged properties worth about R40m to Sanlam on a leaseback basis. Sanlam, which is South Africa's second largest insurance group, owns 49 per cent of Kirsh Industries, the unquoted holding company which controls Kirsh Trading.

Dion's sales figures are not disclosed but are consolidated in those of Kirsh Trading which reported a turnover of R2.8bn for the year to June 30 1984.

Landis sees further progress

By John Wicks in Zurich

LANDIS and Gyr, the Swiss electrical engineering group which increased profits by more than a quarter last year, expects further improvements in sales and earnings for 1985.

Turnover this year is forecast to show a marked increase and the company is aiming for a considerably higher return on capital. It made just under 7 per cent in 1984.

The group has already announced a 13.1 per cent rise in new orders during 1984. Turnover rose by 7.5 per cent to SwFr 1.33bn ($466m) in the year and group profits by 27 per cent to SwFr 61m.

Landis and Sprecher & Schuh, another Swiss electrical engineer, are to give up their shareholdings in one another. Landis has held 10 per cent in Sprecher since 1978, while Sprecher owns rather less than 2 per cent of Landis.

Laodis also intends not to expand its 36 per cent stake in the Swiss company Sauter but might be prepared to sell its shareholding if a "good buyer" were found.

Yamanouchi hit by price cuts and poor demand

TOKYO — Yamanouchi Pharmaceutical, Japan's leading pharmaceutical group, suffered a 4.6 per cent fall in parent company net income to Y6.6bn ($24.6m) in 1984 from Y6.77bn.

Earnings fell despite continued efforts to research and develop new drugs and streamline operations. A downturn in the market for medicines sold to doctors as well as an overall 15.6 per cent cut in the prices paid for drugs under the government's national health insurance programme had major impacts on earnings.

Profits before tax however, edged up by 0.8 per cent to Y18.3bn from Y18.2bn and sales rose by 2.6 per cent to Y107.51bn from Y104.8bn.

Earnings per share slipped to Y30.05 on 214.9m shares from Y39.13 on 173.08m shares, but the final dividend is raised from Y3.75 to Y4.75 for a total of Y8.5 against Y7.5.

● Fuji Photo Film and Kyocera will each market a combined 8mm video tape recorder (VTR) and on-the-spot playback unit starting next month under a licensing agreement with Sony.

Both companies will sell the one-piece sets under their own brand names, with Fuji's Fujix-8M6 on the market on March 1 and Kyocera's Fine Movie KD-100 out on March 15. Both will be priced at Y280,000 ($1,065). They are the third and fourth companies to market such equipment in Japan after Sony and Pioneer. Agencies.

New orders gain for Brown Boveri

By Our Zurich Correspondent

TURNOVER of Brown Boveri, the Swiss engineering group, rose by 5 per cent to some SwFr 11.2bn ($3.93bn) for 1984 with new order volume up by 18 per cent to SwFr 12.4bn.

The Swiss parent company showed an 18 per cent decline in sales during 1984, the result of poor orders, a decline in operating profits was, however, largely offset by higher financial revenues and reduced depreciation. Parent net profits were SwFr 28.4m, compared with SwFr 29.5m.

Parent company orders have shown a marked improvement, rising 28 per cent to SwFr 2.96bn for 1984.

Merger scheme discounted for Dubai Bank

BY ANGELA DIXON IN ABU DHABI

MR AHMAD AL-TAYER, the United Arab Emirates' Minister of State for Finance, said yesterday that there was no need for a merger scheme to aid the troubled Dubai Bank. Over the weekend the bank announced major changes in its board—moves which followed a liquidity crisis in mid-January.

As a result of the reorganisation, Mr Sultan Ali Al Owais, who heads the National Bank of Dubai, has become chairman of Dubai Bank, and five of the original 10 directors have been removed from the board. The overall size of the board has also been reduced to eight.

Emerging from the board changes is a powerful grouping of four responsible for the day-to-day running of the bank. The four are Mr Al Owais, Mr Anis Al-Jallaf (who becomes general manager and who is also a director of the government-owned Emirates Industrial Bank), Mr Mohammed Kharbash (who joined the board from the Finance Ministry) and Mr Abdul-Rahim Galadari who now shares the chairmanship of the bank with Mr Al Owais.

Dubai Bank's liquidity problems stem largely from its commitment to a US$300m to $400m project in Singapore, known as Wisma. A. R. Galadari Brothers, which has a 64 per cent shareholding in the bank, took over this project from Mr A. W. Galadari, when his majority shareholding in the Union Bank of the Middle East was acquired by the government in November 1983. The funding of this project has constituted a major drain on Dubai Bank's resources, and has seriously distorted its ratios.

The new moves at the Dubai Bank were triggered off by a sudden liquidity crisis on January 14, when a long-term depositor requested the withdrawal of substantial funds. Moves by the Central Bank, Union Bank of the Middle East and The National Bank of Dubai solved the short-term problem, and by February 21 Dubai Bank was again placing funds in the interbank market.

A syndicate of foreign banks has been closely following the negotiations surrounding the changes. Their interest stems from a $68m loan which they put together in 1983 for Galadari Brothers. Under this loan, the syndicate holds as security a substantial proportion of the shares in Dubai Bank as well as the Galadari Brothers' real estate interests in the Dubai Intercontinental Hotel and the Plaza residential complex.

The loan was essentially a restructuring of existing borrowings of Galadari Brothers from a range of foreign banks, largely in order to finance the Intercontinental Plaza estate project. The syndicate comprised Citibank as lead manager, with Gulf International Bank, American Express International, The Royal Bank of Canada, Credit Suisse, Chase Manhattan, and Lloyd's Bank International.

When Galadari Brothers took over the Wisma project from Union Bank of the Middle East, it introduced structural changes including the establishment of an investment company to manage the project, resulting in cost savings of some $40m. It also increased the length of the project from 30 months to five years, and a $100m loan with Far East banks was organised.

The restructuring of the board is seen by observers as a way of introducing a more professional banking element into a traditional family-based bank. Although the new board did not discuss in detail the possibility of a merger with another local bank, such a possibility has not been ruled out at this stage. Both the Central Bank and the Ministry of Finance have been actively encouraging such mergers among the Emirate's 29 banks.

McAlpine hopes minerals will help growth continue

THE CURRENT year at Alfred McAlpine, formerly Marchwiel, marks the fiftieth anniversary of the founding of the group, and following a rise in pre-tax profits for the year to the end of October 1984, Mr A. J. McAlpine, retiring chairman, says he hopes that results for the coming year will "continue to reflect some growth."

He says that prospects for non-contracting divisions are good for the current year, but the directors are looking to the minerals division for a "really strong performance" to ensure continued profit growth. Their concern is how the rand will perform against sterling, which makes accurate prediction of c sterling profit difficult.

For the year under review pre-tax profits increased from £19.52m to £22.84m, which Mr McAlpine points out is for a record for the group. The final dividend has been lifted from 6p to 7.5p, which raises the total from 9p to 11p. Net earnings per share are shown rising by 12.4p to 48.4p.

He is pleased that profits were achieved against a background of government policies at home designed to reduce, rather than stimulate, public capital spending, and overseas, a world construction recession which is, if anything, worse than a year ago. He points out thct results reflect the continued progress of more recently acquired activities.

The taxable figure was struck after £2.2m (£519,000) profit on disposal of fixed assets and £3.26m (£2.44m) income from shares in related companies.

Group turnover moved ahead by £38.8m to £340.09m.

The construction division did "extremely well" last year to hold its profit margins at their present level, says Mr McAlpine, but he cannot see much real progress for this division in the immediate future.

Mr McAlpine says that he intends to retire at the end of the current financial year and that he will be succeeded by Mr Bobby McAlpine. Mr Frank Sanderson, who brought Finlas into the group, is resigning and Mr Oswald Edge is retiring.

At the year end shareholders' funds stood at £78m and net liquid resources at £31m. Net asset value was the same again at 215p.

Minerals had a good year, says Mr McAlpine, both at home and overseas, and Optimum Collieries continue to show good profit growth as its export production increases. The division has recently bought a small sand and gravel operation in Alabama.

Although the construction division has a far higher UK forward workload, margins are under continual pressure.

● **comment**

The unexpectedly low tax charga brought a generous boost to earnings for shareholders of Alfred McAlpine which is unlikely to be repeated in the current year when a more normal 35 to 40 per cent tax charge is anticipated. The trading performance generally lacked sparkle except for the minerals division which has jumped from a profits contribution of £5.6m to £8.5m. The housebuilding division was the next best performer, though the big boost in turnover was not reflected in profits, which showed the effect of consumer resistance in an overall increase from £2.2m to £2.6m. The market did not receive the figures well with the shares slipping 16p to 236p, despite the results being well on target. Some of the apprehension may be about the board resignation of Mr Sanderson, whose Finlas house building company has now been absorbed into Alfred McAlpine. Should he sell his stake it could dampen the price for a while. Looking ahead, the group is pinning its hopes firmly on its minerals and housebuilding division, particularly in the U.S. where acquisitions in both fields are planned. Their quality and size could very much determine market sentiment in the coming months. Meanwhile, pre-tax profits of £24m should be attained this year giving e p/e of around 5.

Broker urges change in relationship

CHANGES IN the relationship between the Bank of England, the UK banks and their auditors are called for in a report today by Grieveson Grant, the stockbroking firm.

Mr. Tim Clarke, the broker's banking analyst, says that problems of accounting for Latin American debt, and the recent Johnson Matthey Bankers crisis have created uncertainty over bank shares in the stock market. Mr Clarke says:

● The Bank and auditors should be freed of the constraints, by changes in the law if necessary, which currently prevent them from communicating with each other.

● There should be a more concerted approach by the Bank and auditors to the question of making provisions against doubtful Latin American loans.

● Auditors might do more work on behalf of the Bank, for a fee.

Mr Clarke adds: Until bankers allay investors' concerns over the quality of the banks' profits and dividends, the clearers will probably continue to yield 40 per cent more than the market."

The Bank . . . banks and auditors by Tim Clarke.

Microvitec slows in second half

DESPITE PUSHING its turnover up by £5.19m to £14.81m over the 1984 year Microvitec, market leader for colour display monitors for computers, only managed to lift its pre-tax profits from £2.51m to £2.64m. First half profits reached £1.52m.

However, the group's order book is the strongest in its history and the directors anticipate further growth this year with a more satisfactory increase in profitability.

They point out that Microvitec faces 1985 with competitively priced products addressing growth markets and with a broad range of customers.

A number of factors were behind the shortfall in profitability. Among these was the group's inability to increase production towards the end of the year in order to satisfy the outstanding order book.

This was because it underestimated the product support required to deal with the increased variety and complexity of the products manufactured.

The required increase in production of micro-colour graphics terminals did not materialise in the fourth quarter and the subsidiary concerned did not contribute to the group's overall results.

Another factor blamed for the shortfall was the decision to improve the group's support to U.S. customers with the setting up of Microvitec Inc in October which was earlier than originally anticipated.

Initial expenditure, including exhibition costs and losses to year-end, amounted to some £120,000.

The directors also point out that although demand for higher specification products continues to increase the trend during 1984 was lower than anticipated, particularly during the third quarter. In addition, price reductions during the second 13 weeks were not balanced by increased sales.

No further price reductions are scheduled and Microvitec believes the current price structure will allow it to sell competitively throughout the world.

Finally, higher-than-forecast costs were expected in raw material prices and overheads and the failure to meet planned levels of production led to higher raw material stockholding costs.

As forecast at the time of the share placing on the USM in May last year a dividend of 0.75p is being paid. Earnings per 5p share emerged at 5.3p (5.8p) after a tax charge of £1.25m (£1.11m).

Sales in the UK to specialist independent dealers more than doubled and the group retained its leadership in the educational market. This sector is expected to remain firm but the proportion of output taken by the educational market is expected to decline as the group grows.

Export sales grew from £85,000 to £1m and Microvitec sees this as a growth market, particularly in America where the U.S. company is expected to move into profit during 1985.

● **comment**

A demanding rating on the USM probably encouraged Microvitec's precipitate rush for growth last year. It went sadly wrong when production failed to meet the increase in demand which followed a 10 per cent cut in prices to gain market share. The problems emerged just before Christmas leading to a mark down in forecasts for the year and a serious slide in Microvitec's share price from a 200p high to a low of 57p. The shares have come back a little since then and added a further 12p to 87p yesterday. The company's brokers are forecasting pre-tax profits of around £3.25m for the current year, up from £2.6m, which puts the shares on a multiple of around 14 on a 47 per cent tax charge. Microvitec will, with luck, have learnt some timely lessons. Its central management team has already been strengthened with further appointments. The decision to go for higher resolution screens with higher margins is likely to bear fruit in the longer term though Microvitec has suffered through market demand lagging behind its change in direction. Although margins of around 18 per cent are not as good as the heady days of 28 per cent, they are still a reasonable basis for further growth.

Institutions buy 14% of Japanese robot maker

SIX BRITISH investment advisory groups have purchsed 160,000 shares, 14.3 per cent of those issued, of Dainichi Kiko, a leading Japanese robot manufacturer, for Y4.36bn (£15.4m).

Dainichi Kiko has heen expanding rapldly in the UK, heving set up a joint venture, Dainichi-Sykes, with the Sykes group in 1981. Dainichi-Sykes, in turn, is involved in major robotic development projects with Jaguar cars and Rank Xerox.

The Institutions are Baring International Investment Management (40,000 shares), Royal Bank of Scotland, representing Baillie, Gifford (30,000 shares), Phillips & Drew, Foreign and Colonial Group, GT Menagement Grouo and Ivory & Sime (20,000 shares each).

The funds are to hc used to finance development projects. Last June, Dainichi raised Y4.7bn from a placing with Japanese institutions. Baring and Daiichi Mutual Life Insurance are now the two largest shareholders in the company. Prudential-Bache Securities was the agent for the latest placing.

MINING NEWS

Strong dollar aids gold ventures

BY KENNETH MARSTON, MINING EDITOR

WHILE gold remains out of fashion on the hullion market, it is still a prime exploration target for the mining companias. Nearly all existing mines can earn profits at the current gold price level, especially in countries where the domestic currency is particularly weak against the U.S. dollar.

Ennex International, the Northgate group's recently floated exploration company, is thus particularly encouraged hy the finding of good gold values in Scotland, even though Ennex is still a long way from having outlined a minahle deposit.

Economic gold values have been ohtained in three of five locations examined by stream-panning, soil geochemistry, trenching and channel-sampling in the Grampian mountains hetween Oban and Pitlochry.

Five trenches have exposed mineralisation over 110m in a vein with an average width of 1.9m. Metal grades averaged 0.45 oz (14g) gold and 1.3 oz silver per short ton. Bouldere from the structure assayad 0.54 oz gold per ton.

Ennex is also making further progress at its Sperrin Mountains prospect in Northern Ireland. Latest trenching has given assays ranging up to 0.29 oz gold over a width of 4.9m and suggests that tonnage estimates could soon become possihle.

In Australia there is no slackening in the tempo of gold exploration. The point has been reached where decisions to taka recent discoveries to the prodnction stage are being made almost daily.

The latest go-aheads have been given hy West Coast Holdings for two small operations near its Wentworth mine at Grants Patch in Western Australia. In April, mining is to start at the Hawkins Find prospect on the hasis cf an annual treatment of 150,000 tonnes of ore for 5,000 oz gold, while open-pit mining will also begin at the recently-purchased Eureka prospect.

The latest news from Australis Mining is that drilling of the company's Hopetoun areas, 2km east of Norseman in Western Australia, has intersected the Valkyrie gold reef which runs through the Central Norseman property. This continuation of the orehody into the Australis ground was found 20m from the Central Norseman boundary at a depth of 71.5m.

COMPANY NEWS IN BRIEF

Interim taxable profits rose from £602,634 to £886,077 at Watsham's, the manufacturer of optical, electronic, instrumentation and industrial safety equipment.

In view of tha improved result, the directors have declared a dividend of 0.9p net per 5p share in respect of the period to September 30 1984, compared to an equivalent 0.825p last time. The total then came to 2.745p adjusted for a share subdivision. Earnings for the half year are shown at 3.3p (2.8p).

Turnover more than douhled, from £3.44m to £7.13m. The tax charge increased from £225,988 to £376,583, and there were extraordinary dehits of £22,927 (£19,592). Tha dividend will account for £184,735 (£110,736).

* * *

Padang Senang Holdings, a ruhber and oil palm producer, reports an upsurge from £134,000 to £245,000 in taxahle profits for the year to September 30 1984. The result is reflected in a dividend douhled from 0.7p to 1.4p for the year.

Gross profit rose 58 per cent from £214,000 to £339,000. Taxahle profit was struck after distribution costs of £100,000 (£75,000), edministration costs £59,000 (£47,000), and crediting income from fixed asset investment £45,000 (£31,000), interest received £17,000 (£10,000).

Net profits came out at £115,000 (£61,000) after tax of £130,000 (£73,000). There was an extraordinary debit of £2,000 (£38,000) representing Malaysianisation costs, leaving attributahle profits of £113,000 (£23,000). Earnings per 10p share moved up from 1.24p to 2.32p.

* * *

Profits before tax of Apex Properties rose from £273,597 to £294,988 in the six months to September 30, 1984, after taking in interest receivable of £16,616 this time.

Rents receivable moved ahead from £551,673 to £558,268—the group is engaged in property investment and development.

Net profits came through at £162,243 (£131,327) after tax of £132,745 (£142,270). Earnings per 10p stock unit totalled 1.5p (1.22p).

Extraordinary items added £45,000. The interim dividend is a same-again 0.7p net.

* * *

William Jackson & Son, baker, confectioner, meat product manufacturer, and food market operator, produced a higher taxahle result of £880,000, against £615,000, for the 26 weeks to October 27 1984. Turnover amounted to £74.41m, compared with £75.08m.

The company expects the improvement to continue end says that it is now receiving henefits from the new hread plant et the Stockton Bakery, which is fully operational, and from tha new equipment installed in Hull.

First half earnings per share were stated as 39.12p (27.12p), after tax of £167,000 (nil). There is no dividend.

* * *

Don Brothers, Buist achieved slightly more than douhled pretax profits of £1.8m, against £859,000, for the six months to November 25, 1984 on turnover of £25.25m compared with £17.1m. The company is engaged in the manufacture and merchanting of textiles.

Tha interim dividend is being raised hy one-third to 2p. Stated earnings per share were 15.1p (6.3p), after tax of £810,000 (£447,000).

* * *

In line with expectations of a difficult first half at Stothert & Pitt, engineer, the pre-tax result slipped hack into losses of £129,000 against profits of £317,000 in the comparahle period. Profit margins suffered from fierce competition, say the directors.

Sales for the half year to the end of 1984 came to £12.38m (£12.49m). The directors say that tha second half will show considerably higher sales volume and is expected to be profitahle. Profits for the year will be down on tha previous £908,000 achieved on sales of £27.9m.

There is again no interim dividend—in the last full year a single 3p payment was made.

The Directors of London Anglia Developments PLC (the "Company"), collectively and individually, accept full responsibility for the accuracy of the information given in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. It is not at present intended to apply for any of the share capital of the Company to be listed on any Stock Exchange or be dealt in on the Unlisted Securities Market. Two copies of this document, having attached thereto the documents specified in section 9 of Statutory and general information, have been delivered to the registrar of companies for registration.

London Anglia Developments PLC

(Incorporated in England under the Companies Acts 1948 to 1981)

Offer for Subscription

of up to 10,000,000 ordinary shares of £1 each at par payable in full on application

Arranged by Anglo Dutch Limited

Share Capital

Authorised	*Issued and proposed to be issued fully paid*
£15,000,000 divided into	
(i) 1,000 "A" ordinary shares of £1 each	£1,000
(ii) 14,999,000 ordinary shares of £1 each	£10,000,000

The subscription list for the ordinary shares now being offered will open at 10.00 a.m. on 1st March, 1985 and may be closed at any time thereafter not later than 3.00 p.m. on 18th March, 1985. In order for subscriptions to qualify for tax relief in the 1984/5 tax year, applications should be sent in as soon as possible and, in any event, so as to arrive before 3.00 p.m. on *18th March, 1985*.

Applications must be made in accordance with the procedure set out at the end of this document for a minimum of 1,000 ordinary shares or multiples thereof up to a maximum of 500,000 ordinary shares.

The issue has not been underwritten and the Directors will not allot any shares unless applications are received for a minimum of 1,000,000 ordinary shares and the minimum subscription has been received. All ordinary shares now offered will rank in full for all dividends and other distributions hereafter declared, paid or made and otherwise *pari passu* in all respects with each other.

Investment in the Company is speculative. Particular attention is drawn to the paragraph headed "Risk factors" in Financial information.

Directors and advisers

Directors	Paul Neville Rodney Cooke, M.A., A.R.I.C.S.* Robert John Bruce D'Arcy, F.R.I.C.S.* Jonathan Richard Paul Ruthven Wiesner* Gunnar Richard Andersen, LL.B. Isabel Jane Cunningham, A.C.A. Sir Ian Godfrey Bosville Macdonald of Sleat, Bt., A.R.I.C.S. Clive Nicholas de Laval Morris, M.A., A.C.A. Christopher Brian Spalding Gould Stewart *Executive
Secretary and Registered Office	Keith Barnard, A.C.A. 788 Salisbury House London Wall London EC2M 5RQ
Financial Advisers	Anglo Dutch Limited 788 Salisbury House London Wall London EC2M 5RQ
Auditors and Reporting Accountants	Price Waterhouse Southwark Towers 32 London Bridge Street London SE1 9SY
Solicitors to the Company	McGuinness Finch 37 Dover Street London W1X 3RB
Solicitors to the Offer	Herbert Smith & Co. Watling House 35-37 Cannon Street London EC4M 5SD
Bankers	Barclays Bank PLC 1 Pall Mall East London SW1Y 5AX
Registrars	Ravensbourne Registration Services Limited Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

The Company

Introduction

This prospectus has been issued by the Company with a view to offering to investors the opportunity to share in a business capable of deriving earnings from the development, redevelopment, conversion and refurbishment of properties principally in Central London and East Anglia together with the provision of sheltered housing.

The asset base of the Company will be represented either by properties, readily realisable securities or cash. The Company's strength will lie in its ability to capitalise on the skills of the three executive Directors who between them have over 50 years' experience of the property market. The executive Directors will recommend suitable projects to the Board, supported by a detailed feasibility study, and will be responsible for the day-to-day management of any such projects, once approved.

It is not intended to incur borrowings until the Company's resources are substantially committed. The initial ability to fund developments without incurring borrowings, and the consequent exposure to increasing interest rates, will give the Directors the opportunity to exploit such developments to the full.

This combination of no initial borrowings, extensive knowledge of the areas in which the Company will principally operate and the experience of the executive Directors are factors which should enhance the Company's prospects. **In addition, because of existing tax concessions, this investment should qualify for income tax relief under the rules of the Business Expansion Scheme ("BES") and should, therefore, offer special advantages to certain private investors.**

Business

The business of the Company will encompass the following four activities:—

(i) conversion: the restructuring and renovation of existing properties for alternative use or the division of properties into self-contained units;

(ii) refurbishment: the renovation and upgrading of properties, retaining their existing use;

(iii) development or redevelopment: the building of new or the redevelopment of existing premises on land acquired by the Company; and

(iv) sheltered housing development: the building of new dwellings or the conversion of existing ones for the elderly.

It is the intention that properties converted, refurbished, developed or redeveloped by the Company will be sold and not retained by the Company as investments.

The Company will carry out the first three activities principally in Central London and East Anglia, concentrating on residential and commercial properties. It is proposed that sheltered housing developments will be undertaken throughout the United Kingdom in conjunction with Lifecare Developments Limited ("Lifecare"), the sheltered housing development subsidiary of Lifecare International plc, a company quoted on The Stock Exchange. Further details of this last activity are set out in the paragraph headed "Sheltered housing" below.

To illustrate the intended activities of the Company, four projects which are *currently under consideration* by the executive Directors are set out below:—

(i) Kensington, London. Planning consent has been obtained for a penthouse. Project costs and sales proceeds are estimated at £329,500 and £450,000 respectively.

(ii) Wandsworth, London. A 2.5 acre freehold site suitable for a phased development of 20 units of 4,000 square feet each on two storeys (approximately *half of which will consist of offices and the other half* of light industrial space). Project costs and sales proceeds are estimated at £2,923,000 and £4,000,000 respectively.

(iii) Ipswich, Suffolk. A site at present containing offices, warehousing and retail warehousing. It is proposed that, following redevelopment, refurbishment and division, the premises will provide two retail units, a retail warehouse, eleven small workshop units, a refurbished office building and a modern office block of 4,500 square feet. Project costs and sales proceeds are estimated at £575,000 and £794,000 respectively.

(iv) Diss, Norfolk. A shop in a prime retail location with land at the rear for extension and development. Project costs and sales proceeds are estimated at £248,478 and £312,307 respectively.

Project costs and sales proceeds have both been estimated by the *executive Directors on the basis of current costs and property prices.* These estimates are not a forecast of profits by the Company and have not been examined by the reporting accountants. The projects are by way of **illustration only and there is no guarantee that the Company will acquire any of them or that, if acquired, their outcome will be as currently envisaged.**

Sheltered housing

Sheltered housing provides warden-assisted accommodation for the elderly. Lifecare's sheltered housing units are purpose designed, built or converted for the elderly so as to incorporate a number of features to assist them in daily living. The following are examples of features which can be included:—

(i) *accommodation designed to enable it to be adapted to the changing* needs of the elderly as they progress into old age;

(ii) halls, landings and stairs designed to accommodate a chair lift;

(iii) an alarm system linking residents to the warden;

(iv) outward opening doors so that if an occupant should fall behind a door it can be opened; and

(v) electrical sockets placed at one metre height to obviate bending.

A warden provides general supervision and assistance in an emergency and a management company undertakes repairs, maintenance and upkeep of the building structure and exterior fabric and of the grounds and gardens of the entire development.

A recent report published by the Housing Research Foundation estimates that the present market requirement is for between 250,000 and 400,000 units in the United Kingdom.

Lifecare has agreed to advise on and manage any projects put forward by *the Company* and to submit to the Company any projects that it is unable to finance itself, in each case subject to the agreement of terms. Lifecare, through its managing director Mr. Roger Tanner, B.Sc.(Hons.), C.Eng., M.I.Mech.E., M.C.I.B.S., F.I.Hosp.E., is well qualified to assist the Company in such projects. Relevant experience of Lifecare staff includes taking responsibility for project management of design, construction, technical services and commissioning of sheltered housing accommodation in the United Kingdom. The skills available to Lifecare also include energy conservation and low energy design in relation to health care facilities.

It is intended that all such housing projects undertaken by the Company will be sold on completion and will not be retained as investments.

Directors and management

The management of the Company draws on the different disciplines that make it up, namely three experienced property developers (the executive Directors), the chairman of a building contractor operating nationally, a senior property partner in a London firm of solicitors, a financial executive with banking experience and a financial adviser experienced in investment with an emphasis on property and the provision of property finance. Details of each Director are set out below.

Executive Directors

Paul Cooke, aged 37, graduated from Cambridge University in 1969 and joined Brown Shipley & Co. Limited. After a 12 month training scheme he left to join Donaldson & Sons. In 1973, he qualified as a Chartered Surveyor and left to set up a joint venture property investment and development company. Since then he has been involved in property investment and development in Central London in his own right and on a joint venture basis.

Robert D'Arcy, aged 42, qualified from the College of Estate Management in 1965. He became a Chartered Auctioneer in 1967 and in 1970 became an Associate of The Royal Institution of Chartered Surveyors of which he is now a Fellow.

He worked initially for Chestertons dealing mainly with valuations and management for the Church Commissioners and after three years joined Donaldson & Sons to gain further experience. In 1969, he went into partnership with Jonathan Wiesner, carrying out renovation and conversion of residential property in London which also involved lettings and sales.

In 1972, development activities were first undertaken by the partnership with the demolition and redevelopment of shops with residential upper floors. Since then he has been involved in town centre developments for major public companies and some industrial developments.

Jonathan Wiesner, aged 41, attended the College of Estate Management and joined Marlin Medlicott & Roberts in 1963, where he specialised in residential investments. He then worked for Druce & Co. in the commercial investment department and for Debenham Stores plc in their property management department.

He founded Robert Bruce & Partners, a firm of Kensington estate agents, in 1967 with three other partners, concentrating on the sales and letting of Central London houses and flats. In 1969, he formed a partnership with Robert D'Arcy commencing with residential conversion work in Central London and expanding his activities from 1972 into commercial development and refurbishment in East Anglia.

Relevant experience of the executive Directors

The following table gives details of some of the transactions in which the executive Directors have played a prominent role over the last 12 years and which are of a type similar to those which it is envisaged the Company may undertake. The examples given in the table below are not an exhaustive list or necessarily representative of all of the relevant transactions undertaken by the executive Directors.

The project costs stated in the table comprise property purchase costs, building works, associated direct legal, professional and sundry costs. The project surplus is before deducting all costs associated with financing, such as bank and mortgage interest charges, commitment fees and certain professional fees and all indirect overheads. The period of development has not been stated as, in some cases, properties had been held for some considerable time before development commenced. In any event a 'period of development' statistic would not indicate the average capital employed in the project over that period.

Property	*Notes*	*Sale proceeds £*	*Project costs £*	*Project surplus £*	*Year of final sale*
Arundel Gardens, London W11		71,400	54,806	16,594	1976
Woodbridge, Suffolk	(i)	73,000	57,853	15,147	1977
Pembridge Villas, London W11		96,300	69,610	26,690	1978
Gloucester Place, London NW1		88,750	65,411	23,339	1978
Ipswich, Suffolk		200,000	149,450	50,550	1979
Norwich, Norfolk		205,000	145,000	60,000	1979
Felixstowe, Suffolk		102,100	69,665	32,435	1980
Queensgate, London SW7		348,231	189,522	168,709	1983
Diss, Norfolk	(ii)	355,000	90,014	264,986	1984
Diss, Norfolk		100,000	46,500	53,500	1984
Woodbridge, Suffolk	(iii)	2,037,650	1,522,047	515,603	—
Battersea, London SW11	(iv)	—	1,116,000	—	—

Notes:

(i) In purchasing these premises a parcel of land was included at an additional cost of £10,000. This was retained, planning consent was obtained and it was developed to form a courtyard including 11 small shops and 4 flats now held as an investment.

(ii) An old retail property with a large rear site was purchased in 1973, and held until development took place in 1979 for a new store for The Boots Company plc. The property was held pending sale and produced an income of £16,000 p.a., which showed an income yield of 17.7 per cent. This income increased to £23,500 p.a. on a rent review in 1983 and the property was sold in 1984.

(iii) The site and premises were purchased in 1981 and development commenced in July 1982 for a town centre shopping precinct, with a car park, and including tenants such as Bishops Shops plc and The Boots Company plc. The sale proceeds include properties already sold for £1,687,550 and 3 retail units, all let and income producing, which have recently been offered for sale. These three units are included in sale proceeds at a discount to the asking price and thus the sum shown under project surplus is an estimate.

(iv) This business centre comprises three blocks totalling 31,931 square feet of retail office and light industrial space fronting onto Ransome's Dock, one of the few Thameside docks above Tower Bridge. It includes a restaurant and all the leases are currently being marketed. The project costs of the development are expected to be in the region of £1,116,000.

Non-executive Directors

Richard Andersen, aged 52, graduated from Kings College, London in 1952. He has practised as a solicitor since 1955. He has been a partner in Wedlake Bell, Solicitors, London WC2 since 1961 and is now a senior property partner in that firm dealing in particular with substantial property work for both public and private development and investment clients.

Jane Cunningham, aged 30, qualified as a Chartered Accountant with Ernst and Whinney in 1976. She then joined Tangent Industries Limited as Group Accountant with responsibilities for accounting and taxation *matters. In 1980, she moved to Beneficial Trust Limited as Group Financial* Accountant where she was responsible for controlling all financial accounting matters. She joined Anglo Dutch Limited ("Anglo Dutch") in December 1983 as a Corporate Finance Consultant and was appointed a Director in November 1984.

Sir Ian Macdonald of Sleat Bt., aged 37, qualified as a Chartered Surveyor in 1974 and is a farmer. He is also a Councillor of Humberside County Council, President of the Bridlington Chamber of Commerce and Trade, a member of the Economic Research Council and involved in several charities.

Nicholas Morris, aged 30, graduated from Cambridge University in 1975 before joining Price Waterhouse where he qualified as a Chartered Accountant. He then joined Lazard Brothers & Co., Limited where he was an executive in its Corporate Finance Department from 1978 to 1980. Thereafter, for 2 years he worked for The Sterling Credit Group plc which he left in December 1982 to form Anglo Dutch, of which he is Managing Director. He is also an Executive Director of Lifecare International plc and non-executive chairman of Edward Jones (Contractors) Limited, one of its subsidiaries, which is a building contractor based in North Wales and operating nationally.

Christopher Stewart, aged 36, is a financial adviser serving both individual and corporate clients. He is also a registered insurance broker. He founded a life assurance agency and property finance company, Spalding Securities Limited, over 14 years ago and is its controlling shareholder. In 1977, he also founded an investment services company, Spalding Asset Management Services Limited.

Service agreements

The executive Directors have entered into service agreements whereby they will each be employed by the Company for five years at an initial annual salary of £12,000 and devote such of their time and attention as shall be *necessary to ensure that the Company diligently and conscientiously* carries on its business. Details of these agreements are set out in section 6 of Statutory and general information.

Company administration

The cost of setting up a separate administration and obtaining office accommodation for the Company is such that it is possible to reduce overheads by sharing these services with an existing organisation. In order to keep administration costs to a minimum, the Board has decided to retain the services of Anglo Dutch both as financial advisers to the Company and also to provide accountancy, secretarial and administration services.

Anglo Dutch is an issuing house, specialising in corporate finance consultancy and is currently financial adviser to two other public companies, one being on the Official List and the other on the Unlisted Securities Market of The Stock Exchange.

Details of this agreement with Anglo Dutch are set out in section 5 of Statutory and general information.

The "A" ordinary shares

A two tier share structure has been devised whereby the executive Directors, Christopher Stewart and Anglo Dutch have, as promoters of the Company, been issued all of the 1,000 "A" ordinary shares of £1 each in the Company. The rights attached to these shares are set out in section 2 of Statutory and general information and can be summarised as follows:—

The "A" ordinary shares initially carry the right to 10 per cent. of the votes, dividends and underlying assets of the Company but this interest could increase, after publication of the accounts of the Company in respect of the year ending 31st March, 1990, to a maximum of 30 per cent., as set out in the Articles of Association. The underlying principle is that as the rate of growth of the net assets of the Company increases, so does the proportion of the underlying assets attributable to the "A" ordinary shares. The table set out below illustrates the basis on which the formula will operate (assuming the Offer is fully subscribed).

Compound rate of growth per annum	*Net asset value of the Company after five years*	*Interest of "A" ordinary shares in the underlying assets*
up to 10%	up to £18,105,100	10%

Then for every 1 per cent. increase in the compound rate of growth per annum, there will be an increase in the underlying assets attributable to the "A" ordinary shares equal to 2 per cent. of the whole, e.g.—

11%	£18,850,581	12%
12%	£17,623,418	14%
15%	£20,113,571	20%
20% or over	£24,883,200 or over	30%

The rights to votes and dividends attaching to the "A" ordinary shares will increase in similar proportions.

The following table illustrates the effect of this on an investor who subscribes for 1,000 ordinary shares, assuming that he is able to offset the whole of his investment at a rate of taxation of 60 per cent., and whose initial effective cost of investment would be £400:—

Compound rate of growth per annum	*Net asset value of the Company after five years*	*Per cent. interest of ordinary shares*	*Net asset value of 1,000 ordinary shares*	*Rate of growth of investment based on effective cost*
10%	£15,105,100	90	£1,449	29.4%
15%	£20,113,571	80	£1,609	32.1%
20%	£24,883,200	70	£1,742	34.2%

The above examples are for illustrative purposes only and are not a forecast.

Benefits of the Offer

In the opinion of the Directors the main attractions of an investment in the Company are set out below:—

(i) the Company will, when fully invested, have a tangible property asset base;

(ii) the day-to-day management of the projects will be the responsibility of the executive Directors, whose principal reward is allied to the success of the Company in the form of their respective holdings of "A" ordinary shares; and

(iii) the potential return on an investment in the Company is considerably enhanced by the possibility of tax relief under the BES, which may serve to reduce the cost of investment and is described in more detail below.

Financial information

Dividend policy

In order not to jeopardise income tax relief obtained under the BES, it is intended that no dividends will be paid in respect of the first five years of trading by the Company. Thereafter, it is the intention to adopt a dividend policy that recognises the needs of shareholders whilst having regard to the Company's development.

Working capital

The Directors consider that subject to the minimum subscription being achieved the Company will have sufficient working capital for its foreseeable requirements.

Business Expansion Scheme

The Finance Act 1983, as amended, contains the detailed provisions of the BES. The BES is designed to provide individuals with an incentive to invest in unquoted companies by allowing them to obtain income tax relief for an investment of new equity capital in such companies. The summary that follows is subject to any changes that may come into effect as a result of the next budget, particularly any clauses which may operate retrospectively.

On the basis of information given in this prospectus the Inland Revenue have provisionally confirmed that the Company should be regarded as a qualifying company within the terms of the BES. Individual subscribers for ordinary shares in the Company should, *depending on their circumstances, be able to obtain income tax relief* in respect of the year ending 5th April, 1985 at their highest rate(s) of tax on the amount subscribed.

The following illustrates the effect of income tax relief on the cost of ordinary shares to a taxpayer subscribing for 1,000 ordinary shares at a subscription cost of £1,000 assuming that the whole cost is deductible at the relevant rate.

Marginal tax rate of individual	*Relief obtainable*	*Net cost of investment*
60%	£600	£400
50%	£500	£500

In order to secure the income tax relief available under the BES, ordinary shares must be retained for a minimum period of five years after their date of issue to the taxpayer. If the ordinary shares are disposed of within the five year period, the amount of relief available to or obtained by the *taxpayer may be withdrawn either wholly or in part.*

Under existing rules, for the purposes of United Kingdom capital gains tax on the disposal of ordinary shares at a profit after the five year retention period, the base cost of ordinary shares will be the gross cost of acquisition plus any indexation allowance that might be available. In such circumstances, the income tax relief obtained by an investor would not be brought into account for the purposes of calculating any liability for such capital gains tax.

Individuals intending to claim income tax relief under the BES in respect of the cost of ordinary shares acquired pursuant to this document are advised to read the section on the BES below in which further details are given in relation to that scheme and the procedure for claiming relief.

The Directors intend, so far as possible, to conduct the affairs of the Company in such a way as to maintain the qualifying status of the Company under the BES and are of the opinion that this will be consistent with the commercial interests of the Company. However, relief will only be forthcoming to an individual subscriber who meets certain conditions. Accordingly, the Directors can give no assurance that relief will be available to individual subscribers, who are advised to consult their professional advisers.

London Anglia Developments PLC

(Incorporated in England under the Companies Acts 1948 to 1981)

Risk factors

The Directors believe that the most significant risk factors are:—

(i) the Company has recently been formed and therefore has no operating history, even though the executive Directors have relevant experience; and

(ii) the market for property may decline thereby reducing the value of the Company's assets.

Market in the shares

Although shareholders intending to claim relief under the BES must hold the shares for a minimum of five years, the Directors appreciate that some shareholders may wish to dispose of their holding before the end of that period. Anglo Dutch may be able to procure purchasers for any shareholder wishing to dispose of some or all of his or her holding at any time after the issue.

It is the Board's intention after the five year qualifying period has passed either to seek a listing for the Company's shares or permission for them to be dealt in on the Unlisted Securities Market or to seek an offer (in cash or in a quoted security) for the shares in the Company.

Indebtedness

The Company has no loan capital outstanding or created but unissued or any mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

Accountants' report

The following is a copy of a letter from Price Waterhouse, the auditors and reporting accountants:—

The Directors,
London Anglia Developments PLC

Southwark Towers
32 London Bridge Street
London SE1 9SY

25th February, 1985.

Gentlemen,

We report that London Anglia Developments PLC (the "Company") was incorporated on 31st January, 1985 as a public limited company as Heronlink plc and that it changed its name to London Anglia Developments PLC on 19th February, 1985.

The Company has not yet commenced to trade. No audited financial statements have been prepared in respect of any period since incorporation, nor have any dividends been declared or paid.

Yours faithfully,

PRICE WATERHOUSE,
Chartered Accountants.

Further details of the Business Expansion Scheme

1. Introduction

The following only summarises the main provisions of the BES introduced by section 26 of the Finance Act 1983. It does not set out any of the provisions in full and intending investors are strongly advised to seek professional advice.

2. The relief

The relief is available for the fiscal years 1983–84 to 1986–87 and is given at the claimant's highest rate(s) of income tax.

3. Basic rules

Relief can only be claimed by a qualifying individual who subscribes for new eligible shares of a qualifying unquoted company which have been issued for the purpose of raising money for a qualifying trade which is being carried on or will be carried on within two years by the company or a qualifying subsidiary. The subscription can be made on his behalf by nominees such as the managers of a fund. Eligible shares are ordinary shares which carry no preferential rights. Relief is given for the tax year in which the shares are issued.

4. Individuals qualifying for relief

An individual must be resident and ordinarily resident for tax purposes in the United Kingdom at the date when the company's shares are issued and must not be connected with it within the next five years if he is to retain the relief.

The main rules relating to connection with a company are that:—

(i) an individual or an associate of his must not be an employee, partner or paid director of the company; and

(ii) he and his associates must not control the company or possess more than 30 per cent. of the ordinary share capital or loan capital and issued share capital or voting power in the company.

For this purpose an associate includes a husband or wife, lineal ancestor or descendant, a partner and certain persons with whom the individual has connections through a trust.

A director is not disqualified if he is reimbursed travelling and other expenses allowable for tax purposes but he must not be entitled to any remuneration.

5. Qualifying companies

The Company must have been incorporated in the United Kingdom and be resident only in this country. It must not be listed on The Stock Exchange and its shares must not be dealt in on the Unlisted Securities Market. It must not be a subsidiary of or be controlled by any other company and any subsidiaries it has must be wholly-owned. All its share capital must be fully paid up. It must carry on a qualifying trade or exist to hold all the shares in its subsidiaries which themselves must all carry on qualifying trades.

6. Qualifying trades

Most trades qualify but those excluded are:—

(i) dealing in commodities, shares, securities, land or futures;

(ii) dealing in goods otherwise than in the course of an ordinary trade or wholesale or retail distribution;

(iii) banking, insurance, money lending, debt factoring, hire-purchase financing or other financial activities;

(iv) leasing or receiving royalties or licence fees;

(v) providing legal or accountancy services; and

(vi) farming.

The trade must be conducted on a commercial basis and with a view to the realisation of profit.

7. Claims

Claims can be made when the qualifying trade has been carried on for at least four months and must be made within two years of that date or, if later, two years from the end of the year of assessment in which the shares are issued.

8. Limits on the relief

Relief cannot be claimed on more than £40,000 invested in total by the claimant (and his/her spouse) in eligible shares (in whatever number of qualifying companies) in any one tax year. Relief is not given for investments of less than £500 in any one company in any tax year where the claimant invests directly. This lower limit does not apply where the investment is made on his behalf by the managers of an approved investment fund.

9. Withdrawal of relief

If the conditions of the relief relating to the company cease to be satisfied within three years of the investment being made or, if longer, the period from the issue of the shares to a date three years after the company began to carry on a qualifying trade, the relief is withdrawn.

Relief is wholly or partly withdrawn if the claimant receives value from the company or disposes of the shares within five years. Value is received from the company if, for example, it redeems the shares or makes the individual a loan or provides a benefit or facility.

10. Capital gains tax

Where the shares are disposed of, the full acquisition costs can be deducted from the proceeds in an arm's length sale. However, if they are disposed of at a loss, the acquisition costs that are allowable are reduced so that there is normally no allowable loss for capital gains tax purposes.

11. Tax avoidance

Relief is not available unless shares are subscribed for and issued for *bona fide* commercial purposes and not as part of a scheme or arrangement the main purpose, or one of the main purposes, of which is the avoidance of tax.

12. Procedure for claiming relief

The procedure for claiming relief involves Forms BES 1, BES 2 and BES 3. Form BES 1 is completed by the company and amounts to a formal request for Inland Revenue approval of the company and its trade for the purposes of the BES. BES 2 is issued by the Revenue to the company as authority to the company for issuing Forms BES 3 to its shareholders. Form BES 3 includes the certificate which the individual shareholders or their agents are required to submit to the Inland Revenue as part of the claim for relief. Form BES 1 will be submitted by the company to the Inland Revenue as soon as the company has traded for four months (the statutory minimum).

Statutory and general information

1. Share Capital

(i) The Company was incorporated in England on 31st January, 1985 with number 1882057 as a public limited company under the Companies Acts 1948 to 1981, with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each, of which two such shares were issued for cash at par, credited as fully paid, to the subscribers to the Memorandum of Association.

(ii) On 19th February, 1985 the name of the Company was changed from Heronlink Public Limited Company to its present name.

(iii) On 20th February, 1985 the beneficial ownership of one each of the two issued ordinary shares was transferred to Mr. Stewart and Anglo Dutch.

(iv) On 22nd February, 1985 the Company adopted new Articles of Association.

(v) On 22nd February, 1985:—

(a) the authorised share capital of the Company was increased from £100,000 to £15,000,000 by the creation of 14,900,000 ordinary shares of £1 each;

(b) the two subscribers' shares and 998 unissued ordinary shares of £1 each were converted into "A" ordinary shares of £1 each having the rights attached thereto set out in paragraph 2 below;

(c) the Directors were generally and unconditionally authorised, in accordance with section 14 of the Companies Act 1980, to exercise all the powers of the Company to allot, pursuant to the Offer for subscription, relevant securities (as defined in that section) up to an aggregate nominal amount of £10,000,000;

(d) the Directors were empowered pursuant to section 18 of the Companies Act 1980 to allot equity securities (as defined in section 17 of that Act) as if section 17 of that Act did not apply. This power expires on 31st March, 1985 unless previously extended or altered and is limited to the allotment pursuant to the Offer for subscription of up to 10,000,000 ordinary shares; and

(e) there were issued for cash at par "A" ordinary shares to the persons named and in the proportions set out in paragraph 3(i) and (ii) below.

(vi) Save as disclosed herein no share or loan capital of the Company has been issued or agreed to be issued since the incorporation of the Company.

(vii) No share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

(viii) Assuming the Offer is fully subscribed 4,999,000 ordinary shares would be unissued.

(ix) Save for the issue of the ordinary shares now being offered, no issue of shares will be made before the 1990 AGM (as hereinafter defined) without the prior approval of shareholders in general meeting.

2. Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:—

Rights attaching to the "A" ordinary shares:

As regards voting

Each "A" ordinary share shall confer on the holder thereof who is present in person at a general meeting of the Company the right on a show of hands to one vote and on a poll each such holder who is present in person or by proxy shall have the right with all the other holders of "A" ordinary shares pro rata to their respective holdings of such shares to exercise the applicable proportion (as hereinafter defined) of the votes capable of being cast at such meeting.

As regards income

Each "A" ordinary share shall confer on the holder thereof the right to receive with all the other holders of "A" ordinary shares pro rata to their respective holdings of such shares the applicable proportion (as hereinafter defined) of any dividends declared made or paid in respect of any share capital of the Company.

As regards capital

Each "A" ordinary share shall confer on the holder thereof the right as regards the distribution of the surplus assets (if any) remaining after payment of the Company's liabilities on a winding up or other return of capital to receive with all the other holders of "A" ordinary shares *pro rata* to their respective holdings of such shares the applicable proportion (as hereinafter defined) of such distribution.

The applicable proportion means:—

(i) in the period from the date of issue of the "A" ordinary shares until and including the date of the Annual General Meeting of the Company at which the accounts for the accounting reference period ending on 31st March, 1990 are laid before the members of the Company ("the 1990 AGM") 10 per cent. save in relation to votes cast on a resolution to wind up the Company when the percentage attributable to the holders of the "A" ordinary shares of the votes capable of being cast shall be 25.1 per cent.; and

(ii) after the date of the 1990 AGM the higher of 10 per cent. and the percentage specified in the second column of the table set out below opposite whichever amount shown in the first column of the table represents the rate of increase in the value of the net assets of the Company over the amount subscribed for each ordinary share pursuant to the Offer for subscription, as shall be determined by the Auditors for the time being of the Company (acting as experts not arbitrators and whose determination thereof shall be final and binding on all relevant parties) who shall calculate such value of the net assets by reference to the audited accounts of the Company or as the case may be the consolidated audited accounts of the Company and its subsidiaries for the accounting reference period ending on 31st March, 1990 and after obtaining and taking account of such valuations of properties, work in progress, and other assets as they consider necessary and making such other adjustments as they in their absolute discretion consider appropriate.

Net asset value increase %	*Applicable proportion* %
0.00– 61.05	10
61.06– 64.74	11
64.75– 68.50	12
68.51– 72.34	13
72.35– 76.23	14
76.24– 80.20	15
80.21– 84.24	16
84.25– 88.36	17
88.37– 92.54	18
92.55– 96.80	19
96.81–101.13	20
101.14–105.55	21
105.56–110.03	22
110.04–114.60	23
114.61–119.24	24
119.25–123.97	25
123.98–128.77	26
128.78–133.66	27
133.67–138.63	28
138.64–143.69	29
143.70–or greater	30

Rights attaching to the ordinary shares:

As regards voting

A member who is present in person at a general meeting of the Company shall upon a show of hands have one vote and on a poll every member who is present in person or by proxy shall have one vote for every ordinary share held by him.

As regards income

Each ordinary share shall confer on the holder thereof the right to receive with all the holders of the ordinary shares pro rata to their respective holdings of such shares the amount of any dividends declared made or paid in respect of any share capital of the Company less the applicable proportion thereof payable to the holders of "A" ordinary shares.

As regards capital

Each ordinary share shall confer on the holder thereof the right as regards the distribution of the surplus assets (if any) remaining after payment of the Company's liabilities on a winding up or other return of capital to receive with all the other holders of ordinary shares pro rata to their respective holdings of such shares the amount of such distribution less the applicable proportion thereof payable to the holders of the "A" ordinary shares.

As regards modification of rights:

Subject to the Companies Acts, the special rights for the time being attached to any class of shares may from time to time be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate general meeting of the holders of such shares. To any separate general meeting all the provisions of the Articles as to general meetings of the Company shall apply *mutatis mutandis* and the necessary quorum shall be two or more persons holding or representing by proxy not less than one-third of the issued shares of the class and every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

Directors:

(i) Subject to the provisions of the Companies Acts and the Company in general meeting suspending or relaxing the provisions of the relevant Article, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement, transaction or proposal in which he has a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of the Company) except in respect of any motion concerning any of the following:—

(a) the giving of any security or indemnity to him in respect of money lent to or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(d) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or a shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant Article to be a material interest in all circumstances);

(e) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which either relates to both employees and Directors of the Company or has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes and does not accord to any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and

(f) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees including full time executive Directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangements for the benefit of employees of the Company or any of its subsidiaries under which the Director may benefit in a similar manner to employees and the Director is not accorded any privilege thereunder which is not accorded to the employees.

(ii) At each Annual General Meeting, one-third of the Directors who are subject to retirement by rotation shall retire from office. A Director holding office as Managing Director or Joint Managing Director or executive Director shall not be subject to retirement by rotation. A retiring Director shall be eligible for re-election. No person shall be or become incapable of being appointed or remaining a Director of the Company by reason of his having attained the age of seventy or any other age.

(iii) The remuneration of any Managing Director or executive Director of the Company shall, subject as provided in any contract, be determined by the Directors and may be by way of salary, commission, participation in profits or otherwise as the Directors may determine and may include the making of provision for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance benefits, or may be upon such other terms as the Directors determine.

(iv) The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate amount not exceeding £10,000 per annum or such higher amount as the Company in general meeting may from time to time determine. Such fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally. These provisions shall not apply to the remuneration of any Managing Director or executive Director which shall be determined as provided in paragraph (iii) above.

(v) The Directors shall be paid out of the funds of the Company all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors including any expenses incurred in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or in relation to its business perform any special services on behalf of the Company or its business, such Director or Directors may be paid such reasonable additional remuneration and expenses therefor as the Directors may determine.

(vi) The Directors may give or award pensions, annuities, gratuities and superannuation or other allowances or benefits, to any persons (including Directors of the Company) or the relations or dependants of any such persons who are or have at any time been directors of or employed by or in the service of the Company or of any company which is a subsidiary of or allied to or associated with the Company and may establish, maintain, support, subscribe to and contribute to pension, superannuation or other funds or schemes (whether contributory or non-contributory) for the benefit of any such persons. Any Director shall be entitled to receive and retain for his own benefit any such pension, annuity, gratuity, allowance or other benefit.

(vii) A Director is not required to hold any qualification shares.

Borrowings:

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets and uncalled capital, and subject to the Companies Acts to issue debentures or other securities. The Directors are required to ensure that the aggregate principal amount from time to time outstanding in respect of moneys borrowed by the Company and all its subsidiaries (exclusive of moneys borrowed by the Company or any of its subsidiaries from any other of such companies) shall not at any time, without the previous sanction of theshareholders in general meeting, exceed an amount equal to three times the aggregate of the nominal capital of the Company for the time being issued and paid up and the amounts standing to the credit of the consolidated reserves (including share premium account) of the Company and its subsidiaries all as shown in a consolidation of the then latest audited balance sheets of the Company and each of its subsidiaries and after making such adjustments, exclusions and deductions as are specified in the relevant Article.

3. Directors and other interests

(i) The following Directors have interests in the shares of the Company as they appear in the Register maintained under the provisions of the Companies Act 1967.—

	"A" ordinary shares	*Ordinary shares*
Paul Cooke	250	—
Robert O'Arcy	250	—
Jonathan Wiesner	250	—
Christopher Stewart	125	—

The "A" ordinary shares referred to above were issued for cash at par.

(ii) *Anglo Dutch has been issued 125 "A" ordinary shares for cash at par.*

(iii) Save as disclosed herein, the Directors are not aware of any holding of 5 per cent. or more of the issued share capital of the Company.

(iv) No Director has, or has had within the two years before the date of this prospectus any interest, direct or indirect, in any assets which have been, or which are proposed to be, acquired or disposed of by or leased to the Company.

(v) Save as disclosed herein, no contract or arrangement with the Company subsists, or subsisted within two years before the date of this prospectus, in which a Director is or was interested.

(vi) Under arrangements agreed with the Directors at the date hereof the estimated amount payable for the services of the Directors in a full year will be £43,500.

4. Promoters

Each of the Directors and Anglo Dutch is or may be deemed to be a promoter of the Company. Save as disclosed in this document no amount or benefit has been paid or given by the Company since the date of its incorporation to any promoter or is intended to be so paid or given.

5. Material contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company since its incorporation or by a promoter of the Company and are or may be material:—

(i) dated 25th February, 1985, being a letter agreement between the Company and Anglo Dutch under which Anglo Dutch has undertaken to take all steps in arranging the Offer. For these services Anglo Dutch will be paid a fee calculated on monies actually raised as follows: less than £1 million, Nil; up to £2 million, 11½%; on each subsequent £1 million, 10%, 9%, 8%, 7% and 8% respectively up to an aggregate maximum fee of £800,000. Out of such fee Anglo Dutch will pay all the expenses of the Offer, whether or not the minimum subscription is achieved, to include all commissions to introducing agents (including promoters or companies in which they have an interest), legal and accounting expenses, printing and advertising costs but excluding capital duty;

(ii) dated 25th February, 1985, being a letter agreement between the Company and Anglo Dutch, conditional upon shares being allotted pursuant to the Offer, under which Anglo Dutch has agreed to provide financial advice, accounting, secretarial and administrative services to the Company for an annual fee based on 1 per cent. of the monies raised by the Offer.

(iii) dated 25th February, 1985, being an agreement between Messrs. O'Arcy, Cooke, Wiesner and Stewart, Anglo Dutch and the Company, under which rights of pre-emption have been established among the holders of the "A" ordinary shares on any proposed sale of those shares.

6. Directors' service agreements

By agreements dated 25th February, 1985 between the Company and Mr. D'Arcy, Mr. Cooke and Mr. Wiesner, each has agreed to serve the Company on an executive basis as a Director for a term of 5 years at an initial salary (inclusive of directors fees) of £12,000 per annum.

All of these agreements will be effective from the date when shares are allotted pursuant to the Offer.

7. Consent

Price Waterhouse have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of their report in the form and context in which it appears.

8. General

(i) The amount payable on application and allotment of each ordinary share is £1 being the par value.

(ii) The minimum amount which, in the opinion of the Directors, must be raised by the issue of the ordinary shares now being offered is £1,000,000 which, in relation to the matters specified in paragraph 4(a) of Part I of the Fourth Schedule to the Companies Act 1948, is made up as follows:—

(a) purchase price of property: £nil;

(b) preliminary expenses: £500, and commissions: £nil;

(c) repayment of moneys borrowed in respect of the matters in (a) and (b) above: £nil; and

(d) working capital: £999,500.

The above amounts are to be provided exclusively out of the proceeds of the Offer.

(iii) Preliminary expenses of £500 for the formation and registration of the Company have already been incurred and are payable by the Company. The expenses of the Offer, excluding capital duty of 1 per cent., are estimated to amount to £600,000 on the assumption that 10,000,000 ordinary shares are subscribed and are also payable by the Company. In the event of only 1,000,000 ordinary shares being subscribed this estimate is reduced to £115,000. The expenses of the Offer will vary with the level of subscription.

(iv) Save as disclosed in the Procedure for application, since the incorporation of the Company no commission, discounts, brokerage or other special terms have been granted in connection with the issue of any share or loan capital.

(v) The Company is not engaged in any litigation or arbitration, nor so far as the Directors are aware, in any litigation or claim of material importance pending or threatened by or against the Company.

(vi) The Directors are of the opinion that, on completion of the Offer, the Company is unlikely to be a close Company as defined in the Income and Corporation Taxes Act 1970 (as amended).

(vii) The Company has no subsidiaries.

(viii) Mr. Morris and Miss Cunningham are Directors of Anglo Dutch which is interested in the material contracts referred to in paragraph 5 of this Section.

(ix) Save as disclosed herein, no Director of the Company is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the proposed business of the Company.

(x) The Company has not been issued with a certificate under section 4 of the Companies Act 1980 and has not commenced business or exercised any borrowing powers. The Company will apply for such a certificate as soon as shares have been issued pursuant to this Offer.

(xi) The addresses of the Directors are as follows:—
Paul Cooke: 2 Canning Place, London W8.
Robert O'Arcy: The Old Rectory, Bredfield, Nr. Woodbridge, Suffolk.
Jonathan Wiesner: High House, Rendlesham, Nr. Woodbridge, Suffolk.
Richard Andersen: 16 Bedford Street, Covent Garden, London WC2.
Jane Cunningham: 4 Eglantine Road, London SW18.
Sir Ian Macdonald of Sleat, Bt.: Thorpe Hall, Rudston, Nr. Driffield, E. Yorkshire.
Nicholas Morris: 37 Napier Avenue, London SW6.
Christopher Stewart: 3 Abbotsbury Road, London W14.

9. Documents delivered to the registrar of companies

Two copies of the prospectus with the Application Form attached together with the written consent and copies of the material contracts referred to above, have been delivered to the registrar of companies for registration.

10. Documents for inspection

Copies of the following documents are available for inspection at the offices of Herbert Smith & Co., Watling House, 35-37 Cannon Street, London EC4M 5SD during normal business hours on any weekday, Saturdays and public holidays excepted, from the date of this prospectus until the subscription list is closed:—

(i) the Memorandum and Articles of Association of the Company;

(ii) the report of Price Waterhouse and their letter of consent;

(iii) the material contracts referred to in paragraph 5 above;

(iv) the service contracts referred to in paragraph 6 above.

25th February, 1985

Procedure for application

Applications for the ordinary shares must be made on the accompanying Application Form and can be made only on the terms and conditions set out below and must be returned to Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU with a remittance for the full amount payable, so as to arrive as soon as possible and, in any event, not later than 3.00 p.m. on 18th March, 1985. Each application must be accompanied by a separate cheque drawn in sterling on a town clearing bank or branch thereof in England, Scotland or Wales made payable to "Anglo Dutch Limited—A/c LAD Offer".

Applications must be for a minimum of 1,000 ordinary shares or multiples thereof up to a maximum of 500,000 ordinary shares.

Acceptance of applications is conditional upon applications and the minimum subscription being received for a minimum of 1,000,000 ordinary shares.

Joint applicants are not able to claim Business Expansion Scheme relief. A person acting as a nominee for a qualifying individual may subscribe for ordinary shares on behalf of that individual without prejudicing the relief available, but should disclose the identity of the beneficiary.

The right is reserved to present all cheques for payment and to withhold definitive certificates and any surplus application moneys pending clearance of applicants' cheques. Due completion and delivery of the Application Form accompanied by a cheque will constitute a warranty that the cheque will be honoured on first presentation and attention is drawn to the declaration in the Application Form to that effect. Applications will be irrevocable until and including 18th March, 1985. Application monies will be retained in a separate bank account pending allotment of the shares.

The ordinary shares now being offered will be allocated among applicants as the Directors may, in their absolute discretion, decide and the right to reject any application in whole or in part is reserved.

If any application is not accepted in whole or in part, the application moneys or the balance thereof, as the case may be, will be returned by cheque through the post at the applicant's risk. If the Offer does not proceed, the application moneys will be returned without interest thereon.

Allotments of ordinary shares will be made not later than 19th March, 1985 subject to applications and the minimum subscriptions being received by 3.00 p.m. on 18th March 1985 for not less than 1,000,000 ordinary shares. Definitive certificates for the ordinary shares allotted will be sent at the risk of the persons entitled thereto not later than 5th April, 1985.

All cheques, certificates and other documents will be despatched by post at the risk of the person(s) entitled thereto.

The subscription list will be open at 10.00 a.m. on 1st March, 1985 and may be closed at any time thereafter and in any event not later than 3.00 p.m. on 18th March, 1985.

This Application Form should be completed and sent to Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible. The subscription list will open at 10.00 a.m. on 1st March, 1985 and may be closed at any time thereafter but in any event not later than 3.00 p.m. on 18th March, 1985.

London Anglia Developments PLC

Registered Office: 788 Salisbury House, London Wall, London EC2M 5RQ

Issue of up to 10,000,000 Ordinary Shares of £1 each at £1 per share payable in full on application

Application Form

Number of shares applied for	Amount enclosed at £1 per share
	£

Applications must be for a minimum of 1,000 shares and in multiples of 1,000 thereafter up to a maximum of 500,000 shares

A commission of 2 per cent. will be paid by Anglo Dutch to any Stockbrokers, Licensed Dealers, Solicitors, Accountants, Banks or other agents approved by Anglo Dutch in respect of amounts applied for by successful applicants.

To: The Directors, London Anglia Developments PLC

Gentlemen,

I/We offer to subscribe, on the terms of the prospectus dated 25th February, 1985, for the number of fully paid ordinary shares of £1 each stated above subject to the Memorandum and Articles of Association of the Company. I/We attach a cheque for the above mentioned sum (being the full amount payable for the stated number of shares) made payable to "Anglo Dutch Limited—A/C LAD Offer" and I/we am/are sending this to Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. I/We agree to accept the same or such smaller number of shares in respect of which this application may be accepted.

In consideration of your agreeing to consider and deal with applications on the terms of the prospectus, I/we understand that my/our application will be irrevocable until and including 18th March, 1985 and that this paragraph constitutes a collateral contract between me/us and the Company which will become binding upon receipt of this Application Form by Ravensbourne Registration Services Limited.

I/We request that you send me/us a share certificate for the number of shares in respect of which this application may be accepted together with a cheque for any application money overpaid by post at my/our risk to the address given below.

I/We understand that the completion and delivery of this Application Form accompanied by a cheque constitutes an undertaking that the cheque will be honoured on first presentation and that no application will be accepted unless and until payment in full for the shares has been made.

PLEASE USE BLOCK CAPITALS

Forename(s) (in full) ....

Surname and designation (Mr., Mrs., Miss or Title) ....

Joint applicants may not qualify for Business Expansion Scheme relief

Address (in full) ....

....

Signature .... Date ....

UK COMPANY NEWS

R-R powers Vickers to £11m rise

WITH THE figures from Rolls-Royce Motors providing the main impetus—its pre-interest profit was up £13m—the profit before tax at Vickers advanced from £19.5m to £30.8m in 1984.

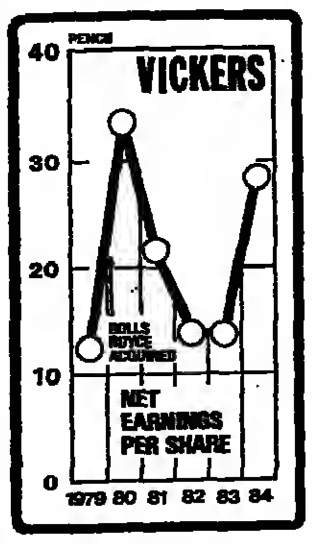
The City was marginally disappointed with the figures, and by the close of trading yesterday the shares had been marked down 8p to 235p. Analysts were looking for a pre-tax profit of at least £32m.

Shareholders benefit with an increase in their dividend. The final is 6p for a net total of 10p, compared with 8p. Earnings have doubled to 28.6p per share.

Sir Richard Cave, the chairman, feels the group has made a "sound recovery" from the difficulties of the early 80's and that, following the many changes that have taken place, "we should see a steadier and more prosperous future."

He says the resources available should enable the group to develop its core businesses in the international scene, and the directors look forward to this change of emphasis in their management of the businesses.

Although the largest increase in profit came from Rolls-Royce Motors, it was £13m to £14.1m on sales £424m ahead at £149.2m. Sir Richard reminds shareholders that the 1983 figures



were depressed by the effects of a prolonged strike.

In defence and aerospace sales were £89.2m (£63.9m) and profit £7.3m (£5.4m), marine engineering accounted for £63.2m (£50.6m and £6m (£4.5m), and healthcare and instruments contributed £27.5m (£27.2m) and £3.3m (£2.6m). Printing and packaging returned to profits of £900,000 against a loss of a similar amount, from sales of £27.8m (£27.5m).

In lithographic plates and supplies sales were £104.8m (£90.2m) but profits fell slightly to £10.2m (£10.4m), while turnover in business equipment came to £60.8m (£59.8m) and profit was down to £2.7m (£3.4m). The chairman believes that the trend, caused by rising costs and severe competition, is now reversed, and those businesses are in strong competitive positions.

In the 1983 results there were included sales of £186m and profit of £8.1m in respect of businesses sold or, in the case of Comsteel Vickers of Australia, reclassified as an associate.

Unallocated operating costs and other activities ran into a loss of £3.6m (£2.2m) while net interest payable showed a drop of £3.8m to £9.4m as a result of the improved cash position and lower interest rates.

The Australian associate incurred a loss of £2.6m (profit £300,000) and other associates made profits of £400,000 (£200,000).

After tax £4.4m (£5.6m), and minorities loss £200,000 (profit £700,000), the attributable profit was £26.6m (£13.2m). There were extraordinary debits of £10.2m (£9.3m) including £3.5m attributable to Australia, and

Sir Richard Cave

dividends absorb £9.6m (£7.7m).

At the end of December, stockholders' interest was shown to be £208.9m, compared with £212.6m.

The claim for fair compensation in respect of Vickers' former shipbuilding business and aircraft interests, nationalised in 1977, has been scheduled for a hearing during the last week in June by the European Court of Human Rights in Strasbourg.

See Lex

Prestwich in optical link with Ratners

By Paul Hen

Prestwich Holdings, the optic and engineering group, is to buy the optical division of Ratners Jewellers for £453,618 as part of a deal between the two companies to create a major nationwide High Street force in the optical market.

Prestwich already owns the Healys Optical Group and George Davis Opticians, and operates 32 optical outlets concentrated in north-west England.

Its purchase from Ratners of GK Plaha will give it control of the optical business in eight Ratners' stores —including several outlets in the south east.

However, the two companies see this as only the first stage of a major expansion of optical departments, managed by Prestwich subsidiary George Davis Opticians in Ratners shops across the country. Ratners runs Britain's second biggest retail jewellery chain.

The next stage will be for Davis to set up outlets in the 26-store Terry Group jewellery chain, acquired by Ratners last November.

And Mr Gerald Ratner, managing director of Ratners, said he envisaged Davis outlets in his other stores becoming "one of the largest optical retailers in the country."

Mr Paul Levinson, chairman of Prestwich, said Davis would give Ratners much-needed managerial expertise to take on growing competition in the optical sector, boosted as a result of the end of the optician's monopoly on sales of spectacles in December last year.

Ratners will benefit from a commission paid to it by Davis, based on a percentage of turnover, and from Davis' sales experience in the optical sector.

Mr Ratner says the commission arrangement is unusual. "This is the first time I know of it being used."

Prestwich will pay for GK Plaha either in cash or through a share issue in late March. Plaha's net assets totalled £425,724 for the year ended April 6 1984.

F. H. Lloyd freezes 4.3% shareholdings in nominee hands

BY ALEXANDER NICOLL

F. H. Lloyd Holdings, the steel foundry and engineering group, has taken the unusual step of freezing 18 nominee holdings in the company, totalling 4.3 per cent of its equity, because the beneficial ownership of the shares has not been disclosed.

Lloyd has won a High Court order barring the owners of the 1.05m shares from selling them, exercising voting rights, or receiving dividends until March 4.

Suter, the engineering, distribution and packaging group headed by Mr David Abell, recently disclosed that it had built up a stake of over 14 per cent in Lloyd, which then conducted a review of its shareholders' list and sought the identities of beneficial owners.

Lloyd sought the court order after receiving no information on the beneficial ownership of the 18 separate holdings.

Mr John Pinckard, Lloyd's chief executive, said yesterday that the company had no evidence that the nominee accounts were connected with Suter or any other party. It simply wished to establish the identity of the owners in view of the recent activity in its shares.

Its move is similar to one made in 1982 by House of Fraser, which during its long-running battle with Lonrho, won a court order in Scotland freezing a 1.3 per cent holding of Richard Daus and Co of West Germany. The shares were subsequently said to belong to Dalel, the Japanese stores group, but a Department of Trade and Industry inspector said last August that he was unable to reach any conclusions about their ownership.

Lloyd, based in the West Midlands, has been undergoing a rationalisation led by Mr Lewis Robertson, its chairman, ad Mr Pinckard, but is still waiting for the full results to show through in its profits.

Suter has been expanded rapidly and last week announced an agreed bid for Lake and Elliot, another foundry group.

Lloyd shares were up ½p yesterday at 52p, valuing the company at £12.5m.

British Land has not given up on Stylo

By Alexander Nicoll

British Land, the property group headed by Mr John Ritblat, made it clear yesterday that it had not abandoned its interest in Stylo, the family-controlled shoe retailer. It bid unsuccessfully for a substantial stake last month.

British Land held 1.49m shares and sought 8m more with an innovative tender, which failed because fewer than the minimum 8m were tendered. Yesterday, it disclosed that it had increased its holding to 3.21m, and that Morgan Grenfell, its merchant banking adviser, had also acquired 579,700 Stylo shares.

The combined holding gives them 18.1 per cent of Stylo's equity, but only 10.7 per cent voting control because of the shoe group's voting structure, which gives the Ziff family control through management shares carrying 16 times the votes of ordinary shares.

The market's attention is now focused on the holding of the Kuwait Investment Office, which has disclosed ownership of 3.61m shares or 18.38 per cent of Stylo's equity.

Stylo shares yesterday rose 5p to 190p, valuing the company at nearly £40m. The price compared with a maximum cash price offered in British Land's tender of 185p.

Offer for sale values Pepe at £23.5m

Pepe Group, supplier of jeans and casual clothes, is coming to the USM with a market capitalisation of £23.5m.

Broker Capel-Cure Myers and Industrial Finance and Investment Corporation is offering for sale 5.5m shares at a price of 100p to raise about £5.1m, net of expenses, for the company.

Pepe's profits have grown dramatically in the last two years from £358,000 pre-tax in the year to the end of March 1983, to £915,000 last year and £1.2m in the half-year to the end of September.

The company is forecasting profits of not less than £2.5m on sales of £19.5m for the year to the end of March — putting the shares on a prospective multiple at the offer price of 13.8 times on a 45 per cent actual tax charge. The forecast yield is 4.28 per cent on an indicated annual net dividend of 3p net.

LADBROKE INDEX
Based on FT Index
965-969 (−4)
Tel: 01-427 4411

Aaronite up 10% in slow year

Aaronite Group, a specialist in passive fire protection, improved pre-tax profits by over 10 per cent from £634,000 to £701,000 in the year to October 31 1984.

The chairman, Mr Graham Neilson says that the result is a "creditable achievement, all the more so as it came in a year in which there were no major new platforms started in the North Sea sector—our most important market."

He goes on to say that the company has been successful in making significant inroads into the land based construction market assisted by its acquisition of Kaytherm Service in May 1984.

A final dividend of 1.4p per share is declared, adding to the interim dividend of 1.4p, which was the first since the group came to the USM in July 1983. The total amounts to 2.8p, against last year's 1.25p.

Although current activity is lower than at this time last year, the directors say that 1984-85 as a whole should be satisfactory. Thereafter, given renewed North Sea activity and the benefits the company expects from its geographical expansion, the directors view prospects with "considerable confidence and optimism."

Operating profits came out at £743,000 (£759,000) after administrative expenses of £11.35m (£1.14m) on turnover of £6.91m, an increase of 9 per cent from £6.35m.

The petrochemical industry work has continued apace, and the company has worked several contracts in the nuclear industry which have continued to provide a sound area of growth, says the chairman.

Australian profits were adversely affected by a dispute outside the company's control between a trade union and the main contractor.

Pre-tax profits are struck after interest payable of £134,000 (£191,000), but including interest payable of £92,000 (£66,000).

The results are subject to higher tax of £244,000 (£202,000). Minority interests contributed £15,000 (£4,000), leaving attributable profits of £471,000, against £436,000.

Earnings per share moved up from 8.3p to 9p.

● comment

Investors in Aaronite Group might be forgiven for wishing that the company had applied some of its fire-proofing treatment to its shares. Since being placed at 115p in mid-1983 and climbing quickly to a peak of 152p, the stock has tumbled to 110p. The company has had to cope with poor demand in its single most important market, the North Sea, while deriving a far lower proportion of its UK turnover from on-shore work than its main rival, Morceau Holdings. Efforts to expand abroad have also run into trouble—a dearth of orders in South Africa and a strike-hit contract in Australia has cost about £55,000 above the line and a further £45,000 below. Despite straining might and main, Aaronite has failed to justify its placing multiple of 20—it now trades on a prospective p/e of 12, assuming full-year pre-tax profits of £750,000 and a 35 per cent tax charge. Clearly, Aaronite stands to gain greatly if the expected upturn in North Sea activity materialises in 1985-86, but Morceau trades on a similar rating, has similar North Sea prospects and a more attractive recent profits record.

Kean & Scott profit leaps despite Moben setbacks

PRE-TAX PROFITS of Kean & Scott Holdings, USM-quoted home improvements subsidiary of the Hawley service industry group, almost doubled to £10.09m in the year to December 31 1984, against £5.47m.

The figures are in line with estimates made earlier this month by Mr Michael Ashcroft, chairman of Hawley and Kean & Scott.

Turnover was up at £90.54m against £44.82m. Earnings per share were 8p (7.2p) and a final dividend of 1p (0.77p) will be paid, making 1.67p (1.1p).

Extraordinary debits totalled £1.12m (nil), relating to losses incurred on discontinued business and provisions for future such losses.

Half-year figures included results of Kitchens Direct from the date of acquisition. Pre-tax profits of June 30 were well up at £4.13m (£1.44m).

In September 1984, the company launched a three for 11 share exchange offer to acquire the loss-making Moben home improvements group.

It acquired the group late in the year and discovered that its trading position was worse than expected. Talks with Moben's bankers led to the three subsidiaries, Mulberry Home Extensions, Wall-Guard damp-proofing and Cold Shield Double Glazing, being put into receivership.

Costs of restructuring Moben's surviving kitchen division have been met from reserves and it is expected to be profitable this year.

The board says the outlook for the group in the current year is up to expectations and a degree of cautious optimism remains. Much will depend, they say, on consumer spending and the general economic climate.

The Kean & Scott group includes Sharps Bedroom Design, Dolphin Showers and Alpine Double Glazing.

Medical group plans scanning service

Medical Imaging Services is to ask investors for £2.9m under the Business Expansion Scheme to set up a mobile medical diagnostic service.

The group plans to operate a mobile breast and body scanning service in the UK, on lines which have proved popular in the U.S. The scanners, which will be housed in large vans, are intended to offer local health authorities an economic alternative to buying their own machines. Computerised Medical Systems, an unquoted company run by directors of Medical Imaging Services, will provide the equipment.

Montano Securities, a small U.S. issuing house, is sponsoring the offer for subscription and plans to make a market in the company's shares on the UK and U.S. over-the-counter markets. Full details of the offer are expected to be announced tomorrow.

Hard Sell for Body Scanners, Page 13

Henry Ansbacher completes resale

Henry Ansbacher, the merchant banking group, has completed the sale of its U.S. subsidiary, Laidlaw Ansbacher back to its original owners. The company will revert to its original name, Laidlaw Adams and Peck.

Ansbacher was forced to reverse its $10m (£9.4m) purchase of Laidlaw as the Wall Street firm started accumulating large losses shortly after the deal was announced last September.

Ansbacher is to receive a $2m 10-year note and a share in Laidlaw's profits during the next 20 years to a maximum $7.6m in consideration. However Ansbacher has also borne some of Laidlaw's losses.

Ex-head of Atlanta Trust takes over at Bestwood

BY ALEXANDER NICOLL

MR TONY COLE, managing director of Atlanta Investment Trust until it was taken over by Grovebell Group late last year, has emerged as the acting chairman of Bestwood after a boardroom shake-up.

Last month Mr Cole took a 29.9 per cent stake in Bestwood, a holding company with a printing subsidiary and a stake in a drilling company. He was understood to be seeking an alternative vehicle through which to offer financial services.

Grovebell is expected to announce that it has sold the fund management and unit trust activities of Atlanta to Mr Cole.

Mr Cole was appointed acting chairman at a board meeting on Friday at which three directors —Mr A. Bowker, Mr S. Stevenson and Mr J. A. Thomson—resigned. The latter two were understood to represent the interests of Bricomin, which had sold the stake acquired by Mr Cole. Mr Jack Bakewell remains a director.

Bestwood shares went ex-dividend yesterday and fell 1p to 208p.

Inter-Channel fails to clinch Sumrie deal

Inter-Channel Pharmaceuticals, which announced in December the acquisition of a 15.5 per cent stake in Sumrie, the loss-making Leeds menswear group, now says it has failed to complete the bulk of the purchase "due to circumstances beyond its control."

Sumrie has seen a large number of changes in its shareholding structure and boardroom over the past two years.

Inter-Channel said that it has been unable to conclude transactions involving 368,000 shares, 14.75 per cent of the equity, and this holding therefore reverted to the previous registered owners.

These are Anglo-European Investment and Development Corporation, which takes back 180,000 shares, and Mr K. Humphries, a private investor, who takes back 188,000. Anglo European Investment is an associate of Le Chebalerique, a Monaco-based investment company, and the two are believed together to hold some 28 per cent of Sumrie's shares.

Lon. & Manchester lifts Aitken stake

London and Manchester Assurance has increased its stake in the ordinary shares of Aitken Hume, which is in talks with Fleet Holdings over a "mutually beneficial association" from 6.5 per cent to 8.8 per cent. BBC New Pension Scheme has reduced its interest in Fleet from 8.5 per cent to 5.3 per cent.

Berisford chief gets £50,000 rise

The report and accounts of S. & W. Berisford shows that Mr Ephraim Margulies, chairman and managing director, received a salary increase of £50,000 to £152,000 in the year to September 30, 1984, excluding pension contributions. Three other directors moved into the £120,000 to £125,000 band.

It is also revealed that four directors waived commission amounting to £2.39m (£1.54m) over the year.

Lonrho

The annual meeting of Lonrho is to be held on Thursday March 28 at 11.30 am and not February 28 as stated in this weeks Financial Diary.

Property developers look for funding under BES

TWO MORE property developers are to seek equity capital under the Government's Business Expansion Scheme.

London Anglia Developments is asking investors for up to £10m in the largest ever fund-raising exercise attempted by a BES property venture. Historic City Developments, sponsored by the merchant bank Hill Samuel, is expected to announce later this week that it is looking for up to £3m.

London Anglia, which claims to be the largest BES company of any kind in terms of funds to be raised, plans to convert, refurbish and develop buildings in Central London and East Anglia. It also intends to provide sheltered homes for the elderly in conjunction with a subsidiary of Lifecare International, a developer of retirement homes quoted on the full Stock Exchange.

The issue is sponsored by Anglo Dutch, a small issuing house.

BOARD MEETINGS

TODAY

Interims:—Amstrad Consumer Electronics, Intereurope Technology Services, Joe Holdings, Ramar Textiles.

Finals:—Energy Recovery Investment Corporation, First Scottish American Trust, Griqualand Exploration and Finance, "Investing in Success" Equities, Ladies Pride, Marley, Miss World, Phoenix Properties and Finance, Reuters, Vantage Securities, Vantona Viyella.

FUTURE DATES

Interims:—	
Barratt Developments	Mar 19
Jarvis (J.)	Mar 14
Resource Technology	Mar 1
Ricardo Consulting Engineers	Mar 26
Victor Products	Mar 13
Wolseley-Hughes	†Mar 13
Finals:—	
Algemene Bank Nederland	Mar 1
Bank of Ireland	May 18
Brent Chemicals International	Mar 26
British Vita	Mar 4
Corah	Mar 7
Dewey Warren	Feb 28
Fife Indmar	Mar 7
Gen. Mining Union Corporation	Mar 7
Hickson International	Mar 26
Macallan-Glenlivet	Mar 18
Prudential	Mar 27
Wetmoughs	Mar 18

†Amended

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Apex Properties ...... int	0.7	March 29	0.7	—	2
Aaronite	1.4‡	—	1.25	2.8	1.25
English & Dutch¶	4.7	—	4.7	4.7	4.7
Kean & Scott	1	June 21	0.77	1.67	1.1
Alfred McAlpine	7.5	April 3	6	11	9
Microvitec‡	0.75	May 3	—	0.75	—
Vickers	6	—	5	10	8

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Dutch currency.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

BRITISH VENTURE capitalists have been criticised for taking a less robust attitude to risk than their U.S. counterparts.

That accusation may be wide of the mark in some cases. But it is certainly true in the experience of Peter Richardson, managing director of Computerised Medical Systems, a Chicago-based medical equipment maker which will shortly be moving its manufacturing plant to Aylesbury.

Nobody in London would believe 41-year-old Richardson when he told venture capital fund managers last year that he could succeed in making money out of a computerised body scanner which had forced EMI into the arms of Thorn five years ago and bankrupted the U.S. company which inherited the machine.

Yet Richardson, who eventually raised $750,000 (£688,000) from a Californian hamburger chain operator and other private U.S. investors, actually succeeded in making his project break even in its first seven months of trading, and looks set to make a $2m profit on sales of $10m in the year to next December.

His experience provides a sobering illustration of the differences in attitude to risk capital on opposite sides of the Atlantic and also shows how it is possible for a smaller, more flexible company to make headway where giants have been defeated. However, CMS is not clear of its growing pains yet, and it would never have raised finance—not even in the entrepreneurial U.S.—without the obsessive determination of Richardson himself.

CMS's first body scanner has been sold to the Soviet Union and six more sales should be made elsewhere this year

Hard sell for a body scanner

William Dawkins on Computerised Medical Systems' search for venture capital

Richardson's stormy love-affair with body scanners began 10 years ago when he worked at EMI on a computerised tomography (CT) machine, invented by Nobel prize-winner Sir Godfrey Hounsfield, which allows sections of the human body to be shown on a television screen.

Like many companies which are first in their field, EMI soon found itself being left behind by the competition which its new product had inspired. Richardson was commissioned to bring into production a faster, more sophisticated scanner to be made near Chicago so that EMI could crack the U.S. market and turn the competition back. By the end of 1979, the new scanner was in production—after $40m of development costs—but had not yet taken up the slack left by the decreasingly successful older models.

That weakness provided the takeover opportunity that Thorn was looking for. After the acquisition, and an unsuccessful attempt to sell EMI's North American subsidiary to General Electric of the U.S., Richardson was given the soul-destroying task of running down the Chicago operation.

In the event, a small Californian medical equipment group, Omnimedical, paid $4.5m for the technical rights to the machine and the contracts to service existing EMI CT scanners. Richardson had not been back in the UK for long when Gary Mounts, Omnimedical's president, telephoned to say that he was having distribution problems. Would Richardson be prepared to help?

The group also wanted to create its own version of the scanner to bring it up to date with the latest microprocessor technology. It accordingly raised $1m through a private U.S. share placing, expecting to unveil the first models within six months. In fact, it took Omnimedical two years and $7m of development costs to start production.

"The Omnimedical management had never been able to get to grips with absorbing a business larger than themselves," he says. By the end of 1983, losses had climbed to $25.5m on sales of $30m; overhead costs were running out of control, and Omnimedical's future looked grim.

Richardson believed he could do better. Omnimedical, he felt, was employing far too many people—600 at one point, as against CMS's current complement of 37—and could be profitable if it made a more concerted attack on non-U.S. markets.

The answer, he believed, was to reduce the workforce, control development costs, and start manufacturing in the group's existing distribution outlet in Aylesbury. Richardson outlined his idea to Dan Montano, an ebullient U.S. securities dealer who had been pulled in by Mounts to help raise equity in the UK.

After a one-week meeting with Richardson at a hotel in Heathrow, Montano agreed to help raise enough cash to bid for Omnimedical. Having turned from employee to predator, Richardson had no option but to resign from Omnimedical. (It went bankrupt in January last year with debts of $25.5m.)

The pair's first attempt to raise £3m to £5m under the UK's Business Expansion Scheme met with a flat refusal from the Inland Revenue. Groups with overseas assets are not allowed to use the BES, even if they plan to be based in the UK—a point which fills Richardson with incredulity.

"We are just the kind of company the BES should be intended for," he argues. "We were expecting to employ 60 to 70 people in Aylesbury by the end of our first year. Instead we are employing 25 people in North America who should be here and who are costing us a hell of a lot more because of the dollar's strength."

Discouraged but not deterred, Richardson and Montano hawked their proposals among institutional investors—they visited more than 25 in the space of a month—who gave a unanimous thumbs-down.

Returning to the U.S., Montano managed to persuade Carl Karcher, the owner of 400 Californian hamburger restaurants and an original Omnimedical investor, to stump up $550,000 and guarantee a $1m bank overdraft. Private investors put up a further $200,000.

Omnimedical's bankers were only too keen to let the business go for a total of $748,000, a fraction of its $3.2m book value, and a distinctly opportunistic price for a product that had cost nearly $50m to develop.

With a slimmed-down team of the old Omnimedical's best technical staff, Richardson shipped his first $950,000 scanner to the Soviet Union last December, and is within spitting distance of closing contracts to sell another six this year.

However, CMS still has a long way to go before being anything like a solid investment proposition.

Earnings have been flattered by CMS's ability to use a factory packed with practically free materials and semi-completed machines left from the former Omnimedical business, and Richardson is keenly aware of the need to diversify.

Accordingly, Richardson is working on agreements with major equipment suppliers to assemble and distribute their own machines. He has already signed two contracts for breast diagnosis and cancer treatment equipment, and plans to pick up four more products within the next year or so. CMS is also looking at the UK market for mobile scanner units, a way for hard-pressed health authorities to share costly capital equipment, which will be the subject of a separate BES offering to-morrow.

However, the main CMS business still needs another $5m if it is to fulfil Richardson's diversification plans. With characteristic doggedness, he is again knocking on the City's doors—but the signs are that CMS will again have to look to the U.S. for venture capital.

How to tap the public purse

William Dawkins explains the potential for selling to The Crown Suppliers

THE CROWN SUPPLIERS

WHICH organisation purchases in a single year enough carpet to stretch in a two-metre wide strip from London to Moscow, enough filing cabinets to make a stack 26 miles high, and enough seating to fill the Royal Albert Hall more than 50 times?

Answer: The Crown Suppliers, the British Government's central purchasing agency, which spends almost £300m annually on goods and services provided by the private sector, more than any centralised Whitehall department except the Ministry of Defence.

The sheer diversity of the agency's shopping list—around 7,000 products from tablespoons to test-tubes to trucks—makes it a potential goldmine for an equally wide range of small businesses.

And The Crown Suppliers has been particularly keen, since it was relaunched with a higher profile last year, to farm out more contracts to smaller operators, a strategy which found expression yesterday with the publication of its booklet, "Selling to The Crown Suppliers," a step-by-step guide for companies hoping to do business with the agency.

Whitehall has for several years been concerned to make it easier for small businesses to tender for public contracts as part of the Government's general job creation policies. However, it has been criticised for not going far enough in cutting official red tape. An inter-departmental report on government purchasing published last December, for instance, highlighted the need to reduce the amount of paperwork which potential public contractors have to wade through.

Meanwhile, the proportion of The Crown Suppliers' contracts taken by small firms has remained static for the past three years (although that is on a rising volume), and John Dole, the agency's chairman, is keen to see it increase.

Companies employing less than 100 people won 6,000 contracts worth a combined total of £21.75m from the agency last year, 14.5 per cent of its commodity purchasing bill, excluding locally contracted services like carpet laying and fuel distribution.

"The most important thing for us is to satisfy the customers," says Dole. "Quite a lot of what we are doing is not suitable for small firms because of the volume of our requirements. But it is very often the case that small firms can offer us better prices than big ones, because of their smaller overheads." A wider supplier base also helps the agency to be more flexible in sourcing its needs and avoiding distribution problems.

Apart from marketing itself more vigorously, The Crown Suppliers has moved to attract small firms on several specific fronts in recent years, some of which are in line with general government purchasing policy, and some of which are innovations.

● Most contractors have to be on an approved list, clearance for which can take between two and six months, depending on the complexity of the transaction. Six months ago the agency allowed non-approved companies to tender for work so long as the value of the contract did not exceed £10,000 annually.

● Tendering has been made easier and quicker. Dole estimates that the time between inviting tenders and awarding a contract has been cut by a third over the past year to an average of two and a half months. This has been helped by internal reorganisation, as well as last year's introduction of a simplified tendering document for contracts up to £20,000. Previously the document was restricted to contracts worth up to £10,000.

Companies are also being asked more frequently to submit tenders which conform to general functional requirements, allowing them to offer a range of alternative products rather than stick to unnecessarily detailed specifications which might involve costly retooling.

● The agency's 11 UK regional offices were given the power last year to award local contracts worth up to £20,000, so that suppliers did not have to pass through the bureaucracy of its central London headquarters. Just over 2,000 regional contracts were awarded on that basis in 1984, with an estimated value of £10m.

● Communications with contractors and tenderers have been improved. A small firms officer was appointed 18 months ago, whose job it is to advise companies how to tender and how to get on to the approved list. Approved firms are automatically invited to tender for particular contracts.

The general requirements for approval are that the firm meets certain technical standards, is financially sound, and will not be devoting more than about 25 per cent of its turnover to The Crown Suppliers. "Government purchasing can be a little erratic, so we do not want anybody to be too dependent on us," explains Dole.

Unsuccessful tenderers have the right to be told exactly why their bid was rejected, to give them a better chance of success next time. This service has been part of public purchasing policy for more than three years, but the agency is attempting to get more companies to make use of it.

Further details can be found in "Selling to The Crown Suppliers," available free from the agency's regional offices or from its publicity section, Southbridge House, 2-10 Southwark Bridge Road, London, SE1 9HQ. Tel.: 928 2044, extension 625.

In brief...

TOUCHE ROSS, the accountancy firm, has established a centre for small business development at the University of Warwick.

The firm is providing £150,000 over the next five years for the centre, which is based in Warwick's school of industrial and business studies. It will co-ordinate the school's small business studies at undergraduate and post-graduate levels, as well as undertake research into small business problems and devise training and counselling programmes to meet those needs.

In addition, it will control the two Manpower Services Commission-funded programmes which the school of industrial and business studies has been running—the new enterprise and management extensions schemes. The former provides training for people planning to set up their own companies, while the latter supplies experienced managers to work with small businesses under the business school's guidance.

●

SMALL companies considering whether to raise equity capital will be interested in two conferences to be held on the subject next month.

A one-day seminar entitled How to Raise Venture Capital, presented by Venture Economics with accountants Peat Marwick Mitchell, the Welsh Development Agency and the Welsh Regional Management Centre, is to be held in Cardiff on March 8. Subjects include negotiating with a venture capital company and the do's and don'ts of raising equity.

Inquiries should be directed to Peat's Ken Shaw on 0222 481145. The seminar costs £63.25 and will take place in the Inn on the Avenue, Llanedeyrn.

31 (Investors in Industry) is hosting a half-day conference on March 18, entitled Examining the Equity Market. The seminar, to be held at the Anugraha Centre, Egham, Surrey, costs £20, and will offer a discussion of some tax-effective means of selling shares and the merits and drawbacks of new public equity markets like the Unlisted Securities Market. Enquiries should be made to Investors in Industry, 91 Waterloo Road, London SE1.

●

A FULL explanation of the advantages and drawbacks of pub life and how to set up on your own is contained in Running Your Own Pub, the latest guide in the Kogan Page Working for Yourself series.

The book is written by Elveo Money, who has had more than 13 years' experience in the pub trade. It deals in simple and straightforward language with issues like finding premises, raising finance, accounting, law and employment. Running Your Own Pub costs £9.95 and is available from Kogan Page, 120 Pentonville Road, London N1.

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SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday February 26 1985

Gold tumbles to 5½-year low, Page 32

WALL STREET

Uncertainty prevails on rate outlook

UNCERTAINTY over the outlook for U.S. interest rates, reflected in further losses in the bond market, caused Wall Street stocks to falter again yesterday, *writes Terry Byland in New York.*

By 3pm the Dow Jones industrial average was 2.85 down at 1,273.19.

The Federal Reserve again intervened to help the credit markets – the eight successive daily supply of funds – but market views of Fed policy continued to diverge. Some credit market analysts predict that the Fed will tighten policy soon as the U.S. economy gathers pace again. But others suggest that the reserve board fears driving the dollar yet higher and will leave the bond market to tighten on its own initiative.

Federal funds stood at 8 7/16 per cent when the Fed announced $1.5bn in customer repurchases and was reluctant to turn down.

Dr Henry Kaufman, chief economist at Salomon Bros, warned clients that the funds rate should "drift upwards" towards 9 per cent this month. There was some selling of bonds both by the trading houses and the investment institutions, but the general inclination was to await today's fresh appearance by Mr Paul Volcker, the Fed chairman, before the Senate Banking Committee.

The rise in bond yields continued to hold the stock market in check. Turnover was lower than last week, with both the blue-chip and the speculative takeover stocks out of the limelight.

Stock prices tried to rally from a weak start but could make little or no headway. Prices were a shade easier over the broad range of the market.

Phillips Petroleum dipped $⅛ to $48⅞ as Wall Street backed away from the tangled bid situation. Pennzoil, $⅝ off at $44⅝, firmly rejected reports that it planned to join Mr Carl Icahn in his bid for Phillips.

Mr Icahn's offer of $60 cash for a controlling stake in the oil company remains in limbo, as does the restructuring plan by the Phillips board, which on Friday recessed the stockholders' meeting while allowing voting on the proposal to continue.

Stock in Unocal, where a group led by Mr T. Boone Pickens has a 9.7 per cent stake, added $⅝ to $47⅞ after Mr Pickens admitted that a bid could develop. The proposed merger with Woods Petroleum left Sunshine Mining $⅜ lower at $8⅜.

Texas Instrument fell $7⅞ to $110 after a leading brokerage house sharply downgraded its earnings forecasts for the company. Other computer issues showed little change, IBM slipping $⅞ to $132⅛ and Burroughs $⅛ to $60⅝.

Tobacco stocks were little affected by the prospect of a court case this week testing corporate responsibility for cancer death. At $78⅝, R. J. Reynolds shed $⅜, while Phillip Morris gained $⅝ to $87⅞.

Some bank stocks took a tumble after Dean Witter Reynolds removed them from its recommended list, on the grounds that the downturn in the bond market will hurt profits – last year's final quarter earnings benefited from the strength of bonds in December. Bankers Trust, $⅝ off at $60⅝, and J.P. Morgan, $1 down at $44⅝, were hardest hit.

Treasury bill rates showed little further change after the sharp rises recorded last week. But other money markets continued to move up nervously as traders anticipated higher rates within a few months. June-dated certificates of deposit added a further 20 basis points. Federal funds, at 8⅝ per cent, eased after the Fed's intervention but remained higher than the market liked.

The bond market steadied from early falls of ½ point or so, but there was no strength behind the recovery. Prices were showing losses of around 1/32.

TOKYO

Fresh peak attained in slow going

BRISK BUYING of biotechnology-related pharmaceuticals stood out in slow Tokyo trading yesterday, as share prices edged higher and the Nikkei-Dow market average hit yet another all-time high, *writes Shigeo Nishiwaki of Jiji Press.*

The barometer gained 29.12 to 12,201.04. However, volume shrank to 271m shares from Friday's 330m, and advances outpaced declines by 378 to 334, with 164 issues unchanged.

Investors retreated to the sidelines in the absence of any fresh incentives. Record-breaking margin debts, the yen's drop against the dollar and uncertainty about Wall Street's direction further cooled enthusiasm.

Only biotechnology-related drug issues were actively traded. Sankyo topped the most active stock list with 13.35m shares changing hands, rising Y180 to a record Y1,380. Buying interest was fuelled by reports that the pharmaceutical firm was developing a new anti-cancer agent.

Sankyo's gain triggered rises by other biotechnology-related stocks, with Green Cross scoring a daily limit gain of Y300 to Y2,060 and finishing third busiest with 8.38m shares. Yamanouchi Pharmaceutical, fifth most active with 4.72m shares, added Y150 to Y4,080, Takeda Chemical Y33 to Y882 and Kuraray Y150 to Y1,040.

Nomura Securities, the second most active with 11.67m shares traded, gained Y30 to match its all-time high of Y1,080 recorded in 1972 but came under profit-taking pressure later to finish unchanged at Y1,050.

Kumagai Gumi and Isuzu Motors attracted China-related buying interest, advancing Y2 and Y12 to Y645 and Y422 respectively. Shinko Electric rose Y4 to Y314 and Sony Y90 to Y4,500, both being selected as compact disc-related stocks.

Trading in blue chips was inactive. Matsushita Electric Industrial moved up Y30 to Y1,590, but Pioneer Electronic closed Y30 lower at Y2,930.

On the bond market where prices had dropped sharply last week in response to declining U.S. bond prices, brokerage houses resumed buying, but most other institutions held back as the dominant market sentiment saw a rise in U.S. interest rates in the immediate future.

The yield on the benchmark 7.3 per cent long-term government bond, maturing in December 1993, fell to 7.08 per cent from Saturday's 7.14 per cent.

EUROPE

Conflicting pressures in evidence

CROSS-CURRENTS, fostered by the strength of the dollar and a hearty bout of profit-taking, swept across the European bourses yesterday and left most centres easier.

Profit-takers had the upper hand in Frankfurt as investors largely ignored the ascent of the dollar and concentrated on relatively more pressing domestic matters such as the prospects of higher interest rates and the ailing bond market.

The Commerzbank index slipped 2.8 to 1,173.5.

Among the main movements, GHH dropped DM 10.50 to DM 151 while Linde suffered a higher but proportionally less damaging fall of DM 11.80 to DM 420.20.

BASF finished DM 2.30 higher at a new 12-month peak of DM 200.20 while Bayer's 60-pfg gain took it to a high of DM 201.80.

VW's confirmation of a profit for 1984 failed to offset the bearish trend in car makers. It slipped DM 4.50 to DM 191.50. Porsche, however, enjoyed a further DM 4 rally to an all-time high of DM 1,273

Dresdner led banks along the downward path with its DM 2.20 fall to DM 189 while insurer Munich Re returned to the higher levels of its recent trading range with a DM 110 sprint to DM 1,320. Fellow insurer Allianz eased DM 5.50 to DM 1,020 ex-rights.

A dearth of buyers was felt in a nervous bond market that took up to 80 basis points off many public issues. The Bundesbank extended its purchases of paper to DM 154.2m from Friday's buying level of DM 34.3m.

An underlying positive tone was detected in Amsterdam despite the profit-taking pressure that was applied to a broad range of stocks. The ANP-CBS index shed 0.6 to 203.5.

Royal Dutch moved against the trend on reports that it bad increased its bid for the shares in Shell Oil it does not already own, suggesting that the deal may be concluded soon. The oil international firmed Fl 1.70 to Fl 204.5.

Banks recoiled with some sharp losses. NMB plunged Fl 7.30 to Fl 184.50 and ABN was Fl 2 down at Fl 393.

Bonds fell further in relatively quiet trading as investors were content to remain on the sidelines while the dollar firmed and upward pressure on U.S. interest rates mounted. The new 8 per cent state loan, for which subscription will be held at tender today, was an additional factor. Prices ended up to 30 basis points lower.

The weaker Swiss franc and rising short-term interest rates tempted Zurich shares lower although sufficient buying interest remained to keep the market stable.

Landis & Gyr eased SwFr 30 to SwFr 1,650 ahead of results while Ciba enjoyed a SwFr 50 rise to SwFr 2,900 after last Friday's trading statement. Insurers drifted lower led by Swiss Re, SwFr 20 cheaper at SwFr 9,450.

Bonds were narrowly mixed although the absence of many operators left most issues in the doldrums.

Profit-takers stalked a mixed Paris although declines only marginally outnumbered gains.

Perrier benefited by a rise of FFr 5 to FFr 542 while Thomson CSF moved FFr 3 higher to a 12-month peak of FFr 507.

Moderate trading took Brussels higher although utilities encountered a rash of profit-taking. Electrobel, however, gained BFr 10 to BFr 8,360 and Traction-el ended BFr 50 higher at BFr 4,170 ahead of reports that the two groups may merge.

A broadly firmer Milan took Fiat L10 higher to L2,660 and Italcementi L790 to L82,990.

Utilities led a retreat in Madrid. Telefonica slipped 1.5 points to 123 per cent of nominal value on the first day of a Pta 32bn capital increase.

Vienna hit another record while Stockholm was dull ahead of a holiday period.

LONDON

Sterling's decline unsettles

AGAINST a backdrop of the persistent decline in sterling relative to the dollar, along with rising short-term interest rates, London financial markets remained extremely cautious yesterday.

The new account in equities saw prices drifting lower, but government stocks showed some resilience helped by forecasts of a tight UK budget next month.

There were few signs of institutional selling of equities, but investors also showed a marked reluctance, which resulted in lower levels for most of the leaders. The FT Ordinary index closed 7.2 off at 968.0.

Preliminary figures from index constituent Vickers, 8p down at 235p, failed to meet expectations.

Chief price changes, Page 26; Details, Page 27; Share information service, Page 28–29

HONG KONG

AN ACCUMULATION of selling pressure forced Hong Kong stocks sharply lower, with the Hang Seng index sliding 46.01 to 1,389.16 in moderately busy dealings.

Wheelock Marden added 30 cents against the trend to HK$7.40 as the battle for control intensified. Allied Investors was suspended at HK$8.75, against the HK$11 bid launched through HK Wharf – itself 40 cents weaker at HK$6.30 – as a potential way to control of Wheelock, its associate.

HK Land shed 38 cents to HK$4.67, China Light 30 cents to HK$14.50 and Jardine Matheson 55 cents to HK$9.45, but Cheung Kong at HK$13.80 was among those managing to hold steady.

SINGAPORE

A CAUTIOUSLY firmer Singapore result was again featured by frenetic speculative activity in Kentucky Fried Chicken, despite assurances from the board of the franchise concern that it was unaware of any reason for the recent strong gains.

These were extended by a full S$1.08 to S$4.52, for a three-day gain of some 93 per cent.

Haw Par, also actively dealt, gained 13 cents to S$2.40, as notice was taken of increases in stakes by Hong Leong, 2 cents easier at S$3.28, and UOB, ahead the same amount to S$4.48.

AUSTRALIA

DIVERSIFIED resource issues led a Sydney rally from morning weakness, although both the gold and oil and gas sectors showed a mixed finish

BHP put on 4 cents to A$5.40, MIM 8 cents to A$2.70 and CRA 12 cents to A$5.74. By contrast, Renison shed 5 cents to A$4.05, Aberfoyle 10 cents to A$9.10, and heavy trading in Santos left it 4 cents off at A$5.36

On the banking and industrial side, rises of 10 cents apiece were found in ANZ at A$4.60 and News Corporation at A$12.90.

SOUTH AFRICA

LOSSES among Johannesburg gold shares, triggered by the renewed slide in bullion values, were curtailed somewhat by a parallel retreat in the rand.

FS Geduld none the less shed R2 to R39, Southvaal R3 to R67 and Bracken 20 cents to R3.45, while among the mining houses Anglo American relinquished 70 cents to R22.

The weaker trend spread to Impala Platinum, off R1 at R21, as well as the industrial boards, where Barlow Rand lost its hold on the R10 level with a 15-cent fall.

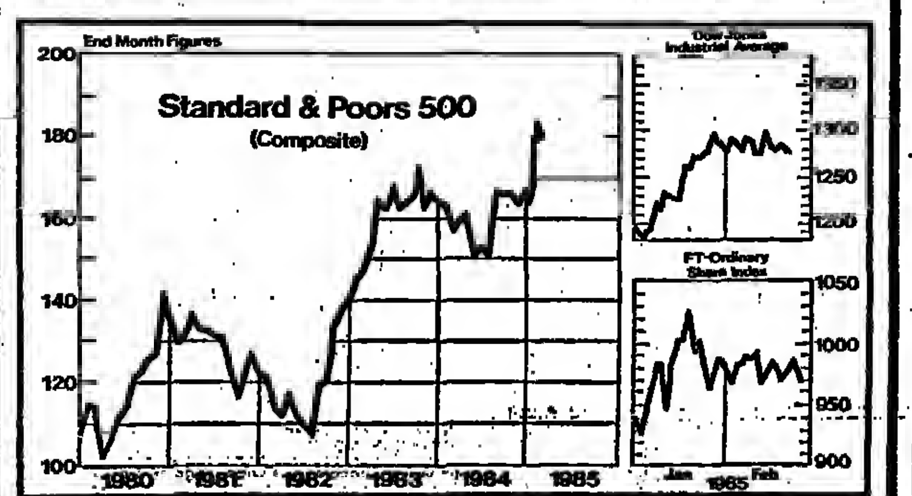
CANADA

A MARKED decline among Toronto shares was led by the gold sector, under pressure from bullion's weakness, but setbacks elsewhere were widespread.

Among the exceptions was a good reception given to the C$11.50-a-share bid by Abitibi-Price for Barbecon, suspended at C$7.25.

Utilities held up better than most in a cautiously lower Montreal trend. Banks retreated.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Feb 25	Previous	Year ago
DJ Industrials	1,273.19*	1,275.84	1,165.10
DJ Transport	620.02*	625.11	510.89
DJ Utilities	148.65*	149.67	126.05
S&P Composite	179.25*	179.36	157.51
LONDON			
FT Ord	968.0	975.2	819.1
FT-SE 100	1,259.4	1,268.9	1,036.9
FT-A All-share	606.89	611.11	493.45
FT-A 500	664.51	669.29	527.48
FT Gold mines	441.4	466.2	652.5
FT-A Long gilt	10.91	10.89	10.28
TOKYO			
Nikkei-Dow	12,201.04	12,171.92	9,962.9
Tokyo SE	961.02	958.85	771.73
AUSTRALIA			
All Ord.	787.4	785.2	743.8
Metals & Mins.	477.4	471.1	518.3
AUSTRIA			
Credit Aktien	71.62	70.09	55.53
BELGIUM			
Belgian SE	2,238.01	2,231.85	–
CANADA			
Toronto			
Metals & Minls	2,052.9*	2,079.0	2,232.0
Composite	2,565.7*	2,591.2	2,402.0
Montreal			
Portfolio	128.35*	130.05	118.46
DENMARK			
Copenhagen SE	172.24	172.48	197.46
FRANCE			
CAC Gen	205.1	205.6	162.7
Ind. Tendance	110.8	110.5	86.5
WEST GERMANY			
FAZ-Aktien	403.70	405.08	352.48
Commerzbank	1,173.5	1,176.8	1,034.5
HONG KONG			
Hang Seng	1,389.16	1,435.17	1,048.76
ITALY			
Banca Comm.	279.24	277.45	219.8
NETHERLANDS			
ANP-CBS Gen	203.5	204.1	158.4
ANP-CBS Ind	161.5	162.5	129.5
NORWAY			
Oslo SE	325.83	326.45	243.64
SINGAPORE			
Straits Times	814.76	810.9	1,022.76
SOUTH AFRICA			
Golds	864.2	908.8	982.7
Industrials	864.3	865.5	984.7
SPAIN			
Madrid SE	113.36	114.25	83.46
SWEDEN			
J & P	1,431.71	1,438.37	1,531.79
SWITZERLAND			
Swiss Bank Ind	n/a	419.1	370.5
WORLD	Feb 22	Prev	Year ago
Capital Int'l	194.0	193.5	178.9

GOLD (per ounce)

	Feb 25	Prev
London	$284.75	$299.00
Zürich	$284.25	$298.45
Paris (fixing)	$285.66	$296.65
Luxembourg	$294.50	$299.75
New York (Apr)	$284.10	$296.50

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Feb 25	U.S. DOLLAR Previous	STERLING Feb 25	STERLING Previous
$	–	–	1.0645	1.077
DM	3.451	3.387	3.6425	3.65
Yen	262.6	262.75	276.25	283.25
FFr	10.55	10.37	11.15	11.165
SwFr	2.9165	2.8565	3.08	3.08
Guilder	3.91	3.8395	4.1275	4.14
Lira	2,155.0	2,111.5	2,274.0	2,272.5
BFr	69.5	68.1	73.25	73.55
C$	1.4015	1.39625	1.4785	1.4885

INTEREST RATES

	Feb 25	Prev
Euro-currencies (3-month offered rate)		
£	14 7/16	14 7/16
SwFr	6	5 15/16
DM	6 1/16	6 1/16
FFr	11 5/16	11⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 7/16	9½
6-month U.S.$	9 13/16	10
U.S. Fed Funds	8½*	8 7/16
U.S. 3-month CDs	9.00*	8.85
U.S. 3-month T-bills	8.37*	8.37

U.S BONDS

Treasury		Feb 25* Price	Feb 25* Yield	Prev Price	Prev Yield
10	1987	99 11/32	10.37	99 15/32	10.34
11⅛	1992	99 22/32	11.68	99 13/32	11.75
11¼	1995	97 7/32	11.76	96 24/32	11.81
11¼	2015	96 5/32	11.72	96 8/32	11.70

Corporate	Feb 25* Price	Feb 25* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	96½	11.25	96½	11.25
3⅞ July 1990	76	9.75	76	9.75
8⅝ May 2000	76⅝	12.15	76⅝	12.15
Xerox				
10⅞ March 1993	94½	11.70	94½	11.70
Diamond Shamrock				
10¾ May 1993	92½	12.10	92½	12.10
Federated Dept Stores				
10⅞ May 2013	87⅜	12⅜	87⅜	12⅜
Abbot Lab				
11.80 Feb 2013	96⅝	12.25	96⅝	12.25
Alcoa				
12¼ Dec 2012	97½	12½	97½	12½

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	69–15	69–30	69–08	69–26
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.61	91.65	91.58	91.59
Certificates of Deposit (IMM) $1m points of 100%				
March	90.82	90.83	90.78	90.80
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.47	90.51	90.46	90.49
20-year Notional Gilt £50,000 32nds of 100%				
March	103–00	103–10	102–21	103–00

COMMODITIES

(London)	Feb 25	Prev
Silver (spot fixing)	513.65p	557.10p
Copper (cash)	£1,269.50	£1,268.50
Coffee (March)	£2,412.50	£2,372.50
Oil (spot Arabian light)	$27.70	$27.70

Prices at 3pm, February 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅞	AAR	.48	2.3	16	26	20⅝	20¼	20¼	−⅛
23½	9⅞	AGS			11	258	16¼	15	15	
19¼	11¼	AMCA				70	11¼	d11	11	−¼
17⅞	13⅛	AMF	.50	3.1	36	139	16⅜	16⅛	16¼	
40⅝	24¼	AMR			9	4154	39¼	38⅝	38⅞	−⅜
20¼	16⅛	AMR	pf2.18	11.		17	19⅞	19⅝	19⅝	
25⅞	22⅞	ANR	pf2.67	10.		12	25½	25⅜	25½	
14¼	8½	APL			3	6	10⅜	10⅛	10¼	−⅛
69¼	44⅞	ASA	2	4.5		9128	47	d44⅞	44¼	−2⅞
27	18	AVX	.32	1.4	14	166	23⅞	23½	23½	−½
49	36¼	AbtLab	1.20	2.5	14	1379	47⅞	46¼	47⅜	−½
25⅝	16½	AccoWd	s.44	2.0	18	91	23½	22½	22⅞	−⅞
23¼	12½	AcmeC	.40	2.4		92	17½	16¾	16⅞	−¼
10⅞	6⅞	AcmeE	.32b	3.2	12	18	9⅝	9¼	9⅞	+½
17⅞	15	AdaEx	2.11e	13.		49	16⅜	16½	16½	−¼
20	11⅞	AdmMl	.32	1.7	8	21	19⅜	19¼	19⅜	−⅛
19½	8⅜	AdvSys	.811	6.6	60	201	12½	12⅛	12¼	−⅛
41⅛	25⅞	AMD			13	3908	32⅝	31⅝	32	−⅝
12¾	6⅞	Advest	.12	1.1		105	10⅜	10½	10⅜	−⅛
14⅜	8¼	Aeroflex			13	36	13⅞	13⅝	13¾	−¼
42⅝	27¼	AetnLf	2.64	6.5	30	1622	40½	39⅞	40½	
56¼	52⅞	AetL	pf5.87e	11.		6	55¼	55⅜	55⅝	−⅛
32⅞	18⅝	Ahmans	1.20	4.3	18	1292	28⅝	27½	27⅞	−½
4⅝	2⅞	Aileen			30	4	3	3	3	−⅛
51	36	AirPrd	1.60	2.4	11	97	49⅝	49⅛	49⅝	+⅛
24¼	13	AirbFrt	.60	2.6	12	420	23⅞	22¾	23	+¾
2	⅞	AlMoa	s		25	47	1⅞	1¾	1¾	
32	26¼	AlaP	pfA3.92	13.		24	31¾	31¾	31¾	−¼
7½	6	AlaP	dpf.87	12.		46	7¼	7⅛	7¼	

Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, February 25

B–B–B

C–C–C

D–D–D

E–E–E

F–F–F

G–G–G

H–H–H

I–I–I

J–J–J

K–K–K

L–L–L

M–M–M

N–N–N

O–O–O

P–Q

R–R–R

S–S–S

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 24

O–O–O

P–Q

R–R–R

S–S–S

T–T–T

U–U–U

V–V–V

W–W–W

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
52½	30⅞	WeaN	pf2.50	4.9		1	50⅝	50⅝	50⅝	–1⅞
20⅝	16	WenWt	2.48	18	8	188	19⅝	16	16	–¼
50¾	27¼	Waste	.80	1.8	17	500	49	48½	49	
28⅜	19⅝	WatkJn	.32	1.2	12	1160	26⅜	25½	26¼	–⅛
13½	8¼	WayGos	.20	1.8	11	2	10⅝	10⅝	10⅝	
18⅝	4	WeanU				70	10	9½	9⅝	–⅛
11⅛	9⅝	Wean	pf			1	10⅜	10⅜	10¼	+½
23⅜	13⅛	WebbD	.20e	.9	13	568	21¼	21	21¼	
37¼	28⅞	WeisMk	.70	2.0	18	104	35⅝	35½	35⅝	–⅛
54¾	30⅞	WellsF	2.40	4.7	7	1531	50⅝	50⅛	50⅛	+⅛
28¼	22⅞	WelFM	2.80	10.	12	35	28⅜	28⅛	28⅜	
21⅝	13⅞	Wendys	.28	1.3	17	x1705	21	20⅝	21	+⅛
28⅞	18⅞	WestCo	.44	2.2	12	16	20½	20½	20¼	–⅝

Continued on Page 26

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Feb. 25	Price Sch%	+ or —
Creditanstalt	237	+1
Goesse	470	+20
Interunfall	500	+20
Laenderbank	230	+1
Perlmooser	400	+12
Steyr-Daimler	161	+3
Veitscher Mag.	408	—1

BELGIUM/LUXEMBOURG

Feb. 25	Price Frs.	+ or —
B.B.L.	1,840	+90
Banq. Int. A. Lux	5,650	......
Bekaert B.	5,860	+60
Ciment CBR	2,686	+25
Cockerill	279	—1
Delhaize	6,900	+50
EBES	2,920	......
Electrobel	8,360	+10
Fabrique Nat.	2,290	+15
GB Inno BM	2,870	+0
GBL (Brux)	9,150	......
Gevaert	5,820	—30
Hoboken	6,000	+20
Intercom	2,200	—20
Kredietbank	8,040	+40
Pan Hldgs	11,400	+100
Petrofina	7,090	+30
Royale Belge	10,600	—50
Soc. Gen. Banq.	3,425	+20
Soc. Gen. Belge	1,925	—6
Sofina	7,500	......
Solvay	4,220	+10
Stanwick Intl.	1,510	......
Traction el	4,170	+50
UCB	4,270	—0
Wagon Lite	2,440	+15

DENMARK

Feb. 25	Price Knr %	+ or —
Andelsbanken	281	+5
Baltic Skand	600	......
CopHandelsbank	272	......
D. Sukkerfab	555	......
Danske Bank	280	+1
De Danske Luft.	1,250	......
East Asiatic	152	......
Forenede Brygg.	830	......
Forenede Damp.	88	—1
GNT Hldg	405	......
I.S.S.B.	461	......
Jyske Bank	620	—60
Novo Ind.	1,800	+15
Privatbanken	224	+1
Provinsbanken	287	+2
Smidth (F)	217	—2
Sophus Berend	930	......
Superfos	461	......

FRANCE

Feb. 26	Price Frs.	+ or —
Emprunt 4½% 1973	1,642	+2
Emprunt 7% 1973	7,630	—40
Accor	264	+2
Air Liquide	630	......
BIC	565	—4
Bongrain	1,673	......
Bouygues	647	—1
BSN Gervais	2,474	+0
CIT Alcatel	1,250	+10
Carrefour	1,270	......
Club Mediter'n	1,230	—25
Cie Bancaire	580	—6
Cofimeg	264.8	+0.3
Damart	2,530	—35
Darty	1,205	—12
Dumez S.A.	620	+2
Eaux (Cie Gen)	574	+4
Elf-Aquitane	248	—1
Essilor	2,910	—0
Gen. Occidentale	782	+1
Imetal	84.1	+0.2
Lafarge Coppee	433	—0.6
L'Oreal	2,435	......
Legrand	2,079	—46
Maisons Phenix	210	+5.5
Matra S.A.	1,740	+10
Michelin B	842	—12
Midi (Cie)	2,243	—37
Moet-Hennessy	1,975	......
Moulinex	111	+4.4
Nord Est	77.1	+4.9
Pernod Ricard	730	—3
Perrier	542	+5
Petroles Fra.	264.5	—0.2
Peugeot S.A.	280.6	—4.5
Printemp.Aus.	197.5	+1.5
Radiotech	264	+9
Redoute	1,288	+3
Roussel Uclaf	1,515	—40
Selimeg	321	+0.5
SkisRossignol	2,000	—5
Telemech Elect.	2,400	+40
Thomson CSF	507	+3
Valeo	238.5	+6.5

GERMANY

Feb. 25	Price Dm.	+ or —
AEG-Telef	109.5	—0.4
Allianz Vers	1028xr	—5½
BASF	200.2	+2.5
Bayer	201.8	+0.6
Bayer-Hypo	309.5	—4.5
Bayer-Verein	318.2	—2.8
BHF-Bank	265	—2
BMW	381	—3
Brown Boveri	215.5	+15.5
Commerzbank	162.1	—1.2
Cont'l. Gummi	121	—2
Daimler-Benz	650.5	—6.5
Degussa	355	—1
D'sche Babcock	168.5	—1.0
Deutsche Bank	401.9	—1.4
Dresdner Bank	189.0	—2.2
GHH	151.0	—10.5
Hochtief	454	+4
Hoechst	120.1	—0.8
Hoesch Werke	104.8	—32
Holzmann (P)	380	—14
Horten	166.7	—1.5
Hussel	385	—1
Karstadt	221	+2
Kaufhof	910	—1
KHD	258.5xr	+0.5
Kloeckner	74	+0.2
Linde	420.2	—11.8
Lufthansa	190.0	+0.5
MAH	107.5	......
Mannesmann	161.2	—1.8
Mercedes Hld	568.5	—2.7
Metallgesell	248	......
Munech Rueck	1320	+110
Nixdorf	657.5	—1.0
Porsche	1,273	+4
Preussag	257.5	—3.5
Rhein West Elect	158.2	—0.9
Rosenthal	240	......
Schering	463.8	—6.5
Siemens	541.5	—2.8
Thyssen	100.7	—1.2
Varta	177.5	—1.5
Veba	165.7	......
V.E.W.	123.0	+0.3
Verein-West.	611	—1
Volkswagen	121.5	—4.5

ITALY

Feb. 25	Price Lira	+ or —
Banca Com'le	12,550	+50
Bastogi-IRBS	188	—4.5
Beni Invest Risp.	5,686	......
Centrale	3,500	+110
Credito Varesino	4,450	+190
Fiat	2,660	+10
Finsider	62	—2
Generali Assicur.	41,210	+710
Italcementi	82,220	+790
La Rinascenti	662	+2
Montedison	1,540	......
Olivetti	6,980	+80
Pirelli Co.	4,405	+55
Pirelli Spa	8,240	+5
Snia BPD	2,890	+21
Toro Assic.	15,420	+20
do. Pref.	11,700	+209

NETHERLANDS

Feb. 25	Price Fls	+ or —
ACF Holding	125	—1
AEGON	170.0	—1.5
Ahold	217.0	—2.8
AKZO	108.5	—1
ABN	323	—2
AMEV	211.5	—1.5
AMRO	73.6	—1.4
Bredero Cert.	156	......
Bos Kalis Westm.	16.1	+1.1
Buehrmann-Tet.	95	+1.2
Calland Hldgs.	35.3	+0.5
Dordtsche Pet'm	179.2	+1.7
Elsevier-NDU	110.5	—5.5
Fokker	98.5	+0.5
Gist Brocades	185	—4
Heineken	155.5	—2
Hoogovens	60.8	—1.2
Int Mueller	43.7	—0.5
KLM	55.4	—1.6
Naarden	50.7	—0.1
Nat Ned Cert.	271.0	—0.8
Ned Mid Bank	184.5	—7.8
Nedlloyd	169	—5.6
Oce Grinten	303.5	—2
Ommeren (Van)	29	......
Pakhoed	69.3	+0.3
Philips	60.1	—0.5
Robeco	76.4	+0.1
Rodamco	138.6	+0.1
Rolinco	70	......
Rorento	43.9	—0.4
Royal Dutch	204.0	+1.7
Unilever	338	—3
VMF Stork	145.8	—1.7
VNU	204	—1.2
West Utr Bank	102.5	+0.1

NORWAY

Feb. 25	Price Kroner	+ or —
Bergens Bank	100.5	—0.5
Borregaard	387.5	—1.5
Christiania Bank	159	—2
DenNorske Cred	165	......
Elkem	146	—0.5
Kvaerner	185	—1
Norsk Data	410	+2.5
Norsk Hydro	109	—0.5
Storebrand	235	......

SPAIN

Feb. 25	Price Pts%	+ or —
Bco Bilbao	331	—1
Bco Central	331	......
Bco Exterior	208	......
Bco Hispano	103	—2
Bco Popular	388	—3
Bco Santander	347	+6
Dragados	190	+5
Hidrola	80.7	—2.3
Iberduero	25.0	—2.5
Petroleos	164	+1
Telefonica	123	—1.0

SWEDEN

Feb. 25	Price Krone	+ or —
ACA	370	—2
Alfa-Laval	185	—2
ASEA (Free)	320	—15
Astra (Free)	400	......
Atlas Copco	109	—1
Cardo (Free)	250	......
Cellulosa	118	—1
Electrolux B	315	+5
Ericsson	279	—4
Esselte	375	+15
Mo Och Domsjo	251	—1
Pharmacia	196	—2
Saab Scania Free	445	......
SanDvik	388	—7
Skandia	222	......
Skan Enskilda	61	—2
SKF	190	—1
St Kopparbergs	148	—2
Sven Handelsbn.	167	—4
Swedish Match	235	—5
Volvo B (Free)	289	+1

SWITZERLAND

Feb. 25	Price Frs.	+ or —
Alusuisse	862	—11
Bank Leu	3,825	......
Brown Boveri	1,590	—35
Ciba Geigy	2,200	+50
do. (Part Certs)	2,320	+90
Credit Suisse	2,435	—5
Elektrowatt	2,690	—30
Fischer (Geo.)	740	—5
Hoff-RochePtCts	88,625	+120
Hoff-Roche 1/10	8,875	......
Jacobs Suchard	6,400	......
Jelmoli	1,850	—10
Landis & Gyr	1,650	—30
Nestle	6,350	—50
Oer-Buehrle	1,445	—30
Pirelli	292	......
Sandoz (Br)	8,050	+50
Sandoz (PtCts)	1,380	......
Schindler (PtCts)	710	—20
Sika	1,100	......
Surveillance	4,180	+20
Swissair	1,162	—4
Swiss Bank	368	—2
Swiss Reinsce	9,450	—20
Swiss Volksbk	1,495	—0
Union Bank	3,670	—10
Winterthur	3,740	—10
Zurich Ins	20,475	—25

AUSTRALIA

Feb. 20	Price Aust $	+ or —
ANZ Group	4.8	+0.1
Alliance Oil Dev.	1.05	......
Ampol Pet.	1.78	......
Ashton	0.9	—0.02
Aust Cons Ind.	1.92	+0.04
Aust. Guarantee	3.6	......
Aust. Nat. Inds	2.56	—0.06
Aust. Paper	2.4	—0.02
Bell Group	6.7	......
Bell Res.	0.14	+0.14
Bond Corp Hldgs	1.26	—0.01
Boral	3.28	......
Bougainville	1.94	—0.01
Brambles Inds	3.9	—0.06
Bridge Oil	2.26	—0.05
B.H. Prop.	6.4	—0.02
CRA	0.74	+0.12
CSR	2.84	+0.02
Carlton Utd.	4.30	......
Castlemaine Tys.	4.7	......
Coles (G.J.)	3.95	+0.06
Comalco "A"	2.65	......
Consolidated Pet	0.45	—0.02
Costain Aust	1.5	......
Dunlop Aust.	2.23	—0.05
Elders IXL	3.16	+0.01
Energ Res.	1.48	......

AUSTRALIA (continued)

Feb. 25	Price Aust. $	+ or —
Gen Prop Trust	2.18	—0.02
Hardie (James)	5.1	—0.08
Hartogen Energy	2.25	—0.2
Herald W'yTimes	5.25	—0.1
ICI Aust.	1.96	—0.02
Jimberlana F.P.	0.28	......
Kia Ora Gold	0.15	......
Lend Lease	5.94	+0.04
MIM	2.7	+0.08
Meyne Nickless	6.25	......
Myer Emporium	1.83	—0.02
Nat. Aust. Bank	3.83	—0.01
News	12.2	+0.1
Nicholas Kiwi	1.85	......
North Bkn Hill	2.28	+0.01
Oakbridge	0.67	—0.02
Pancont'l	1.6	+0.05
Pioneer Conc.	1.54	—0.04
Poseidon	2.8	—0.1
Queensland Coal	1.43	+0.04
Reckitt & Coln.	5.5	......
Repco	1.17	......
Santos	5.38	—0.04
Smith (Howard)	5.86	—0.04
Thos. Natwide	1.25	+0.02
Tooth	6.82	—0.04
Vamgas	5.5	......
Western Mining	3.57	+0.07
Westpac Bank	3.5	......
Woodside Petrol.	0.85	—0.05
Woolworths	6.25	+0.07
Wormald Intl	3.17	—0.05

HONG KONG

Feb. 25	Price H.K. $	+ or —
Bank East Asia	24.8	—0.1
Cheung Kong	13.8	......
China Light	14.5	—0.3
Evergo	1.40	......
Hang Seng Bank	40.0	—1
HK Elect ric	7.6	—0.3
HK Kowloon Wh.	6.5	—0.4
HK Land	4.67	—0.03
HK Shanghai Bk.	8.75	—0.25
HK Telephone	64	—1
Hutchison Wpa.	21.0	—0.5
Jardine Math.	2.45	—0.55
New World Dev.	5.7	—0.5
Orient O'seas	2.52	—0.08
Oseas Trust Bk.	2.7	—0.07
SHK Props	9.3	......
Shell Elect	1.78	......
Swire Pac A	24.7	—0.3
TV—B	8.0	—0.3
Wheel'k Mard A.	7.4	+0.3
Wheel'k M'time.	1.15	......
World Int. Hldgs.	2.4	......

JAPAN

Feb. 25	Price Yen	+ or —
Ajinomoto	1,080	—10
Alps Electric	2,200	—20
Amada	1,240	—10
Asahi Chem	682	+20
Asahi Glass	874	+4
Bridgestone	530	+7
Canon	1,370	......
Casio Comp.	1,950	+40
Chugai Pharm.	1,060	+60
Citizen	569	—1
Daiei	550	......
Dai Nippon Ptg.	1,010	......
Daiwa House	551	+5
Ebara	387	+1
Eisai	1,740	+90
Fanuc	13,680	+371
Fuji Bank	1,600	......
Fuji Film	1,850	+20
Fujisawa	1,100	+70
Fujitsu	1,350	+20
Green Cross	2,060	+500
Hasegawa	398	......
Heiwa Real Est.	602	—6
Hitachi	868	+4
Hitachi Credit	1,060	......
Honda	1,420	—10
House Food	692	+2
Hoya	2,340	—10
Itoh (C)	325	—1
Ito. Yokado	2,340	—800
Iwatsu	1,150	—30
JACCS	624	+10
JAL	5,080	+10
Jusco	711	—4
Kajima	274	+4
Kao Soap	828	+1
Kashiyama	810	—9
Kirin	570	+3
Kokuyo	908	—9
Komatsu	439	+3
Konishiroku	696	—2
Kubota	315	—5
Kumagai	645	+9
Kyoto Ceramic	6,480	—50
Maeda Const.	482	+12
Makino Milling	1,420	......
Makita	1,140	+30
Marubeni	310	—8
Marudai	668	—12
Marui	1,010	—20
MEI	1,090	+30
M'ta Elec Works	690	+8
M'bishi Bank	1,550	+20
M'bishi	521	+2
M'bishi Elec.	390	......
M'bishi Estate	570	+11

JAPAN (continued)

Feb. 25	Price Yen	+ or —
MHI	246	+1
Mitsui Co.	327	—2
Mitsui Estate	546	+4
Mitsukoshi	426	—2
NCK Insulators	270	—10
Nihon Cement	216	......
Nippon Denso	1,400	+10
Nippon Elect	1,500	+20
Nippon Express	356	+8
Nippon Gakki	2,140	+10
Nippon Kokan	134	......
Nippon Oil	880	—5
Nippon Seiko	446	—3
Nippon Shimpan	650	+8
Nippon Steel	145	+1
Nippon Suisan	339	......
NTV	12,490	......
Nippon Yusen	242	+8
Nissan Motor	609	+3
Nisshin Flour	488	+5
Nisshin Steel	158	+4
Nomura	1,060	—50
Olympus	1,230	+80
Orient Leasing	3,280	—50
Pioneer	2,630	—20
Renown	640	—10
Ricoh	880	......
Sankyo	1,380	+180
Sanyo Elect.	487	—10
Sapporo	406	......
Sekisui Prefab	645	+5
Seven-Eleven	8,650	......
Sharp	1,050	......
Shimadzu	624	......
Shionogi	789	+18
Shiseido	1,060	+30
Sony	4,500	+90
Stanley	826	+14
S'tomo Bank	1,790	+10
S'tomo Elect.	911	+8
S'tomo Marine	600	+8
S'tomo Metal	147	+1
Taihei Dengyo	460	+10
Taisei Corp.	199	+1
Taisho Pharm.	1,130	+30
Takeda	982	+35
TDK	6,380	+80
Teijin	435	+5
Teikoku Oil	850	......
Tokyo Marine	760	—2
TBS	831	......
Tokyo Elect Pwr	1,500	......
Tokyo Gas	152	+1
Tokyo Sanyo	735	......
Tokyo Style	715	......
Tokyu Corp.	307	......
Toppan Print	870	—5
Toray	430	—3
Toshiba Elect.	424	......
TOTO	853	+18
Toyo Seikan	870	—10
Toyota Motor	1,320	......
Victor	2,130	......
Wacoal	707	+1
Yamaha	761	......
Yamanouchi	4,080	+160
Yamazaki	888	—3
Yasuda Fire	358	—11
Yokogawa Bdge.	426	—5

SINGAPORE

Feb. 25	Price S $	+ or —
Boustead Hldgs.	1.7	......
Cold Storage	3.70	+0.02
DBS	5.95	+0.1
Genting	4.45	......
Haw Par. Bros.	2.40	+0.15
Hong Leong Fin.	3.36	—0.02
Inchcape Bhd.	2.63	—0.07
Keppel Shipyard	1.69	—0.03
Malay Banking	6.05	—0.05
Malay Utd. Ind.	0.26	......
Multi Purpose	0.70	—0.01
OCBC	8.15	......
OUB	3.84	—0.04
Public Bank	1.59	+0.02
Sime Darby	1.94	+0.05
Singapore Press	8.05	+0.05
Straits Trdg.	4.44	—0.06
Tat Lee Bk.	2.70	+0.01
UOB	4.48	+0.02

SOUTH AFRICA

Feb. 25	Price Rand	+ or —
Abercom	1.5	......
AE&CI	7.15	......
Allied Tech	50	......
Anglo Am Coal	44.25	......
Anglo Am Corp	22.0	—0.7
Anglo Am Gold	167.5	+0.5
Barclays Bank	14.25	......
Barlow Rand	12.5	—0.35
Buffels	65.6	—0.5
CNA Gallo	2.6	—0.1
Currie Finance	3.5	......
De Beers	8.90	—0.07
Driefontein	47.25	......
FS Geduld	38.0	—0.5
Gold Fields SA	86.0	—2
Highveld Steel	5.85	—0.25
Hedbank	9.40	—0.15
OK Bazaars	19.0	......
Protea Hldgs	1.20	......
Rembrandt	16.5	+0.1
Rust Plat	19.5	—0.3
Safren	15.0	......
Saga Hldgs	4.0	......
SA Brews	5.05	—0.15
Smith CG	18.15	......
Tongaat Hulett	15.50	—0.5
Unisec	4.65	+0.05

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex Dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 34

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Albion	31	+4
Amstrad	80	+6
Avon Rubber	291	+6
Brammer	322	+8
Caledonian Offs	285	+30
Cape Inds.	45	+11
Good Relations	228	+28
Insight	120	+8
Invest Energy	710	+50
Leyland Paint	37	+3
Lyle Shipping	14½	+2½
Marks & Spencer	138	+7
Microvitec	57	+12
Northern Foods	218	+8
Shell Trsp.	785	+10
Solicitors Law	50	+8
Times Veneer	37	+5

FALLS

Antofagasta	220	—50
BAT Inds.	338	—17
BICC	227	—8
De Beers Defd	392	—10
FS Geduld	£17¼	—£1⅛
Grand Met	280	—8
Horizon Travel	135	—5
Intasun	102	—10
Ladbroke	253	—7
McAlpine (A)	208	—16
Randfontein	£73⅝	—£3¾
Stothert & Pitt	143	—35
Vickers	235	—8

CANADA

TORONTO

Prices at 2.30pm February 25

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices February 21

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 25

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK PRICES

[illegible]	[illegible]

MARKET REPORT

Equities drift lower following latest sterling falling; index down 7.6 at 968.0

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Feb 11	Feb 21	Feb 22	Mar 4
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1

* "New-time" dealings may take place from 9.30 am two business days earlier.

The now all-too-familiar picture of persisting sterling declines against the dollar and rising short-term UK interest rates continued yesterday. Against this backdrop, London financial markets remained extremely cautious. The new Account in equities saw prices drifting lower, but Government stocks showed some resilience helped by weekend Press forecasts of a tight Budget.

The CBI's optimistic outlook on exports and overall order books in industry together with a relatively bullish view of economic growth prospects from the London Business School was largely ignored as the equity market became increasingly concerned about the possibility of a further increase in interest rates.

Once again, there were few signs of institutional selling of equities, but investors also showed a marked reluctance which resulted in lower levels for most of the leaders. The final tone was reasonably steady and the Financial Times Ordinary share index, which touched its lowest of the day at 1.00 pm with a fall of 7.6, closed 7.2 off on balance at 968.0.

Preliminary figures from index constituent Vickers, 8 down at 235p, failed to meet expectations. Market leader, ICI, however, traded on a steady note awaiting Thursday's annual statement.

Conditions in the Gilt-edged market remained extremely slow and sensitive as sterling recorded yet another all-time low of $1.0525 against the dollar yesterday. Short-dated stocks fluctuated nervously before settling with fractional movements either way. Longer maturities followed a similar pattern, but final losses were usually restricted to around ¼. Index-linked issues continued to give ground. Treasury 2½ per cent 2013, which began life last Friday, eased ½ to 87½ compared with the striking price of 88.

Lloyds easier

Cautious weekend comment ahead of the dividend season deterred potential buyers of the major clearing banks and quotations drifted lower for want of support. NatWest, the first to report annual results on March 5, gave up 8 at 645p, while Lloyds, figures scheduled for March 8, closed the same amount easier at 550p. Barclays ended 5 off at 508p. Midland, on the other hand, showed resilience and finished a couple of pence dearer at 335p. Elsewhere, Royal Bank of Scotland gave up 3 to 230p with the new nil-paid down 5 more at 20p premium. Among Discount Houses, Seccombe Marshall and Campion firmed 15 more to 425p on the surprise 440p per share agreed cash offer from Citicorp International Bank, announced last Friday.

Marked higher at the outset in response to a Financial Times report that self-employed and executive Pension business is currently booming, Life Insurances drifted back on lack of follow-through support to close mixed. Equity and Law hardened a penny to 215p, after 220p, while Prudential ended the same amount dearer at 523p, after 527p. Britannic softened 2 to 640p, after 650p, and Legal and General lost 4 at 583p, after 590p. Composites lacked direction ahead of the forthcoming dividend season. General Accident softened 2 to 508p and Commercial Union gave up 3 at 177p; the latter's annual results are due on March 7.

Gloomy reports emanating from last week's meeting with analysts continued to overshadow Grand Metropolitan which gave up 8 more for a two-day decline of 20 at 280p. Other leading Breweries again reacted in sympathy with modest losses noted for Whitbread "A," 189p, and Bass, 498p.

Buildings went lower as interest rate anxieties resurfaced, however, early selling was fairly well absorbed and losses were generally modest. The sector's major casualty was Alfred McAlpine which, following the annual results, came under heavy selling pressure and fell 18 to 236p. Elsewhere, Costain slipped 6 to 340p, but SGB found support and firmed 4 to 164p xd. Derek Crouch hardened a couple of pence to 102p ahead of Friday's annual results while Federated Housing, preliminary statement due on March 6, added 3 to 47p. Raine Industries gained 1 to 19p awaiting Thursday's half-timer, while Leyland Paint put on 3 to 37p on speculative buying. Among Timbers, Travis and Arnold lost 5 to 250p, but recently-dull Magnet and Southerns perked up following a broker's lunch and rose 8 to 114p.

ICI traded quietly awaiting Thursday's preliminary statement and the close was 3 cheaper at 877p.

Leading Retailers continued in lacklustre mood as investors were again deterred by pre-Budget nervousness. An exception was provided by Marks and Spencer which advanced 7 to 138p following widespread publicity given to its proposed credit card scheme. Elsewhere, Foster Brothers Clothing hardened 2 more to 206p—20 above the share-exchange offer from Ward White, unchanged at 223p. Sears, regarded as a possible counter-bidder for Foster, firmed a penny to 79p following a "buy" recommendation from brokers Phillips and Drew. Takeover speculation again surrounded Combined English, another 3 to the good at 117p; the full-year figures are scheduled for late March.

Leading Electricals passed a quietly dull session. BICC retreated 6 to 227p and Plessey softened a few pence to 130p, while GEC eased 2 to 196p. Elsewhere, Amstrad moved up 6 to 80p in anticipation of today's results and Bush Radio responded to a newsletter recommendation with a gain of 5 to 75p. Microvitec jumped 12 to 87p in belated response to the annual profits increase. Applied Holographics added 10 to 230p as did Atlantic Computer to 370p. Sound Diffusion, however, lost 7 at 108p and BSR eased 3 to 128p; the latter's preliminary figures are scheduled for March 6.

The near-88 per cent increase in Vickers' annual profits—to £30.8m—was deemed mildly disappointing with dealers going for earnings around the £32m level and so the shares fell away to close the day 8 down at 235p, after 234p. Other Engineering leaders eased in sympathy with Hawker notable for a decline of 7 at 421p. Elsewhere, Stothert and Pitt became a prominent late casualty, plummeting 35 to 145p on news of the £1.1m interim deficit and accompanying warning about the full year outcome. Haden, meanwhile, rose 8 to 305p awaiting developments in the Trafalgar House bid situation and Ransomes Sims and Jefferies put on 10 to 330p following buying ahead of the preliminary figures scheduled for March 4. James Neill firmed 7 to 133p and J. and H. B. Jackson added 6 at 70p xd.

Leading Foods usually gave ground in the absence of support, but Northern Foods attracted buyers at the outset and touched 218p prior to closing a net 6 up at 216p. Cadbury Schweppes softened a couple of pence to 167p, but Rowntree Mackintosh, after slipping to 373p, picked up to close unchanged at 375p.

Cape Inds. jump

Cape Industries highlighted miscellaneous industrials, jumping 11 to 45p, after 46p, following news of the sale of its automotive division to BBA for around £15m; BBA hardened a penny to 58p. Press comment revived bid prospects helped Brammer rebound 8 to 322p, while Times Veneer also responded to a newspaper mention with an improvement of 5 at 37p. Pentland, reflecting its recent U.S. expansion moves, advanced 15 afresh to 455p, while renewed speculative buying prompted a rise of 6 to 291p in Avon Rubber and a gain of 8 to 50p in Solicitors Law Stationery. Revived demand lifted TSL Thermal Syndicate 14 to 225p and Watmoughs 8 to 172p. Applied Computer, on the other hand, dropped 15 to 225p following the resignation of three top executives from Apricot Inc, the group recently set up to sell AC's personal computers in the U.S.

Leading shares lacked sparkle and drifted gently lower for want of support. BTR lost 4 at 632p and BOC cheapened the same amount to 290p. Fisons, due to report annual results on Thursday, hardened 2 to 293p.

Travel issues were unsettled by reports that Thomson Holidays had started a Spanish holiday price war. Horizon fell 5 to 135p and Intasun shed 10 to 102p, but Saga Holidays, with annual results due shortly, went against the trend and rose 6 to 178p. Elsewhere in the Leisure sector, Joseph Webb firmed 3 to 25p xd, after 26p xd, following Press comment highlighting bid prospects. Insight gained 8 to 120p ahead of tomorrow's annual results.

Motors displayed a firmer bias. Group Lotus closed 3 up at 79p following Press reports of a link with U.S. giant Chrysler. York Trailer were again wanted and advanced 3 more to 31p, but Jaguar, up to 329p earlier, eased to settle 4 cheaper on balance at 322p.

Fleet Holdings closed 1½ off at 285p xd; Aitken Hume, still believed to be involved in talks with Fleet, hardened a penny to 182p. London and Manchester Assurance now controls 8.8 per cent of Aitken Hume. Advertising agencies and related counters featured fresh strength in Good Relations which spurted 28 to 228p. In contrast, Geers Gross gave up 6 to 146p. Renewed speculative support lifted Wace 3 to 40p.

A fraction firmer at the outset, leading Properties moved narrowly before drifting in the idle trade to close with modest falls on balance. Land Securities settled a couple of pence cheaper at 308p, as did Hammerson Estates, at 490p. Peachey softened a penny to 241p, while currently bid favourite Stock Conversion slipped 3 to 437p. Elsewhere, Regalian hardened a couple of pence to 84p following Press mention, while County Properties B put on 5 to 123p.

Among otherwise idle Shippings, Lyle advanced 5½ to 14½ as shareholders approved the proposed rights issue.

Speculative counters held centre-stage among Textiles. Albion featured and rose 4 more to 31p, while similar rises were noted for Towles A, 87p, Early of Witney, 65p, and John Foster, 2 better at 60p, after 62p.

Tobaccos lacked support. Bats dipped 17 to 338p, partly reflecting the absence of recent U.S. demand, while Imps gave up 5½ to 196p xd. Rothmans closed 5 off at 175p.

Among Financials, "take-profits" advice left recent speculative favourite Antofagasta 50 lower at 220p.

Shell improve

Easier crude oil spot prices and general lack of interest left the majority of the leading oils with minor losses. BP settled 9 cheaper at 558p and LASMO dipped 8 to 360p, while Britoil eased 3 to 217p.

Shell, on the other hand, were a firm market throughout the day and closed 10 higher at 785p, reflecting renewed American interest. Royal Dutch added ½ to £49½.

Secondary issues were featured by Invent Energy prior to closing a net 50 higher which touched a record 220p at 710p.

Carless Capel, however, gave up 5 to 163p following news that the first in the company's series of exploration wells in Dorset and Wiltshire had been plugged and abandoned as a dry hole.

Golds retreat

South African gold and related sectors of mining markets were in full retreat for the fifth successive trading day following the disturbing performance of the bullion price.

The latter's sturdy recent showing, despite the dollar's relentless advance against major currencies, finally gave way and the metal price plummeted to $282.5 an ounce before staging a rally to close a net $14.25 weaker at a 5½-year low of $284.75; the decline was gold's biggest single-day fall for well over a year.

The steep fall in gold began in the U.S. late on Friday and continued throughout yesterday. South African Golds performed similarly. Heavily sold in New York prior to the weekend, share prices were marked down sharply early on and thereafter moved progressively lower in the face of persistent small selling pressure.

The Gold Mines index dropped 24.8 to 441.4, extending the loss over the past five trading days to one of 70 points.

Leading Golds were highlighted by Randfontein and Vaal Reefs which gave up almost £4 apiece at £73¾ and £68½ respectively, while Free State Geduld lost £1½ at £17½ and Libanon £1½ to £15½.

Financials and Platinums suffered along with Golds. In South Africans De Beers gave up 10 more to 392p, ahead of the preliminary figures expected on March 12, while Anglo American Corporation dipped 25 to 990p. Impala Platinum, a weak market since the recent publication of acutely disappointing interim results, fell a further 10 to 970p, as did Rustenburg Platinum, 720p.

London-domiciled Financials were marked down throughout the session and closed with substantial losses across the board. Consolidated Gold Fields, reporting interim results next Tuesday, dropped to 477p before settling a net 20 off at 480p.

Contracts struck in Traded Options amounted to 8,232. Marks and Spencer featured in attracting 1,085 calls, 550 in the April 130's, 5 better at 13p. Jaguar remained lively with 746 calls done, 451 in the March 300's, while a useful two-way business developed in British Telecom which accounted for 884 calls and 643 puts. The short gilt contract again found favour with 175 calls and 452 puts transacted.

FINANCIAL TIMES STOCK INDICES

	Feb. 00	Feb. 22	Feb. 21	Feb. 20	Feb. 12	Feb. 15	year ago
Government Secs.	79.32	79.32	79.69	79.89	79.70	79.89	82.42
Fixed Interest	82.98	83.60	83.64	83.70	83.70	83.01	80.21
Ordinary	968.0	275.2	984.9	981.3	977.5	970.5	819.1
Gold Mines	441.4	466.2	486.8	497.2	003.4	011.4	802.5
Ord. Div. Yield	4.42	4.43	4.32	4.40	4.40	4.44	4.30
Earnings, Yld.% (full)	11.14	11.06	10.87	10.99	11.00	11.11	2.72
P/E Ratio (net) (*)	10.78	10.86	10.25	10.93	10.02	10.81	10.57
Total bargains (Est.)	87,241	25,334	24,684	24,000	23,432	24,768	27,000
Equity turnover £m.	—	430.31	322.14	e72.80	346.e7	331.0e	874.2e
Equity bargains	—	28,698	12,122	20,310	21,044	24,613	21,274
Shares traded (mil)	—	242.7	128.0	202.2	166.3	168.e	171.0

10 am 971.2. 11 am 970.3. Noon 968.3. 1 pm 967.8.
2 pm 967.6. 3 pm 968.7.

Basis 100 Govt. Secs. 10/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.
Nil=10.45.

HIGHS AND LOWS / S.E. ACTIVITY

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low		Feb. 22	Feb. 21
Govt. Secs.	83.77 (5/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	123.3	33.3
Fixed Int.	87.48 (14/0/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	185.0	117.4
					Value	870.5	786.0
Ordinary	1024.3 (22/1/85)	702.3 (23/7/84)	1024.3 (22/1/85)	42.4 (26/6/40)	5-day Average Gilt Edged Bargains	130.3	120.5
Gold Mines	711.7 (8/3/84)	439.0 (25/1/85)	734.7 (15/2/85)	43.5 (26/10/71)	Equities Bargains	146.8	138.0
					Value	700.3	730.0

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 25 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri Feb 22 Index No.	Thur Feb 21 Index No.	Wed Feb 20 Index No.	Tues Feb 19 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	529.99	−0.5	10.04	4.01	12.46	532.98	538.97	534.52	530.66	494.91
2	Building Materials (23)	473.85	−0.5	13.47	5.26	9.19	476.05	481.23	481.58	483.12	486.19
3	Contracting, Construction (30)	696.41	−0.4	14.18	5.64	9.04	699.44	705.90	707.88	707.84	755.41
4	Electricals (15)	1478.18	−2.1	10.91	5.05	11.60	1509.60	1528.08	1546.10	1540.93	1757.37
5	Electronics (36)	1684.39	−0.4	8.72	2.90	14.79	1691.80	1718.01	1680.22	1647.57	1669.65
6	Mechanical Engineering (60)	288.49	−0.7	11.56	4.46	10.32	290.60	293.19	292.33	290.10	236.17
8	Metals and Metal Forming (8)	179.05	+0.2	12.63	7.25	9.77	178.70	181.38	176.60	175.93	202.84
9	Motors (18)	155.90	−0.2	11.28	4.85	11.06	156.21	158.23	157.79	158.31	134.40
10	Other Industrial Materials (16)	887.91	−0.6	5.72	3.26	21.94	893.19	897.59	897.93	900.30	632.83
21	CONSUMER GROUP (189)	616.33	−0.7	9.49	3.88	12.75	620.50	625.20	624.55	624.03	480.35
22	Brewers and Distillers (23)	553.08	−1.3	12.24	4.83	10.12	560.62	568.35	567.84	564.66	461.28
25	Food Manufacturing (21)	498.44	−0.2	11.61	4.58	10.75	499.67	503.60	504.03	505.31	389.59
26	Food Retailing (12)	1406.09	−0.8	6.00	2.60	19.59	1417.43	1425.47	1428.65	1431.48	1090.14
27	Health and Household Products (9)	1012.27	−0.3	5.63	2.62	20.86	1015.14	1017.63	1019.46	1022.69	735.48
29	Leisure (22)	675.38	−0.5	8.39	4.86	15.71	678.91	683.07	682.65	683.58	642.26
32	Newspapers, Publishing (12)	1686.37	—	6.93	4.43	18.68	1686.80	1696.67	1694.05	1672.27	1271.40
33	Packaging and Paper (14)	302.08	−0.3	13.11	4.01	8.78	303.07	307.20	307.19	305.97	239.36
34	Stores (45)	537.05	+1.1	7.61	3.47	15.92	531.07	533.75	533.28	529.47	434.11
35	Textiles (19)	329.17	+0.7	12.11	4.27	9.51	327.00	328.62	329.20	323.65	271.98
36	Tobaccos (3)	893.84	−4.8	14.29	4.37	7.78	938.78	950.34	940.43	951.90	534.56
41	OTHER GROUPS (97)	662.35	−1.1	8.96	3.96	14.20	669.53	670.91	671.62	671.89	428.99
42	Chemicals (17)	828.30	−0.5	10.85	3.95	11.76	832.26	831.43	828.97	824.59	587.41
44	Office Equipment (4)	175.31	−2.3	7.54	4.77	16.42	179.38	179.92	180.49	177.87	134.94
45	Shipping and Transport (13)	1082.61	+0.3	7.99	4.50	16.08	1079.87	1082.75	1093.70	1098.13	860.96
46	Miscellaneous (61)	829.97	−0.5	7.85	3.36	15.49	834.07	837.43	839.17	836.23	571.84
48	Telephone Networks (2)	760.44	−1.9	8.80	4.23	14.82	775.20	776.88	778.08	783.29	0.0
49	INDUSTRIAL GROUP (483)	614.01	−0.7	9.49	3.93	13.02	618.62	623.01	621.55	620.20	482.31
51	Oils (17)	1221.66	−0.5	14.28	6.15	8.66	1228.19	1231.02	1237.02	1239.24	1052.12
59	500 SHARE INDEX (500)	664.51	−0.7	10.20	4.26	12.13	669.29	673.57	672.70	671.63	528.39
61	FINANCIAL GROUP (115)	437.24	−0.5	—	5.06	—	439.58	442.45	443.97	442.84	382.21
62	Banks (6)	449.97	−0.9	18.65	6.27	6.79	454.24	456.79	459.33	455.40	413.13
65	Insurance (Life) (8)	594.45	−0.2	—	4.58	—	595.84	598.61	601.39	603.43	498.48
66	Insurance (Composite) (7)	303.16	−0.7	—	6.16	—	305.26	308.05	309.69	308.69	250.54
67	Insurance (Brokers) (6)	1085.93	−0.5	7.09	3.19	19.56	1091.32	1100.87	1099.06	1099.36	617.90
68	Merchant Banks (12)	233.05	−0.4	—	4.60	—	234.02	234.53	234.68	234.68	249.77
69	Property (51)	613.65	−0.2	5.52	3.62	24.13	614.84	619.27	620.38	620.58	550.57
70	Other Financial (25)	285.94	−0.5	9.19	5.46	13.17	287.24	289.26	289.75	288.79	273.82
71	Investment Trusts (106)	626.66	−0.2	—	3.12	—	627.81	628.91	629.65	626.69	489.66
81	Mining Finance (4)	287.01	−2.2	10.18	5.30	12.46	293.49	296.92	299.91	300.31	315.87
91	Overseas Traders (14)	652.18	−1.5	9.51	6.39	13.08	661.81	662.72	660.81	662.04	574.91
99	ALL-SHARE INDEX (739)	606.89	−0.7	—	4.95	—	611.11	614.90	614.71	613.60	493.12
		Index No.	Day's Change	Day's High	Day's Low						
	FT-SE 100 SHARE INDEX	1259.4	−9.5	1266.5	1258.2	—	1268.9	1279.1	1275.8	1275.9	

FIXED INTEREST

	PRICE INDICES	Mon Feb 25	Day's change %	Fri Feb 22	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	115.54	+0.04	115.50	—	1.47
2	5-15 years	124.89	−0.07	124.97	0.00	2.25
3	Over 15 years	131.17	−0.13	131.33	—	1.64
4	Irredeemables	143.63	+0.02	144.88	1.28	1.28
5	All stocks	124.34	−0.04	124.40	0.01	1.88
6	Debentures & Loans	105.54	+0.11	105.48	1.05	1.40
7	Preference	75.84	−0.35	75.71	0.40	1.57
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.09	−0.08	110.18	—	0.63

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 25	Fri Feb 22	Year ago (approx.)
	British Government				
1	Low	5 years	11.26	11.27	9.92
2	Coupons	15 years	10.96	10.94	10.17
3		25 years	10.47	10.44	9.81
4	Medium	5 years	12.12	12.12	10.76
5	Coupons	15 years	11.39	11.37	10.67
6		25 years	11.17	11.11	[illegible]
7	High	5 years	12.22	12.20	10.89
8	Coupons	15 years	11.60	11.56	10.81
9		25 years	11.30	11.26	10.59
10	Irredeemables		10.48	10.49	9.72
11	Debs & Loans	5 years	12.19	12.14	11.50
12		15 years	12.14	12.09	[illegible]
13		25 years	12.18	12.13	[illegible]
14	Preference		13.86	13.97	[illegible]
	BRITISH GOVERNMENT INDEX-LINKED STOCKS				
15	Inflation rate	5%	3.31	3.31	[illegible]
16		10%	3.33	3.32	3.25

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1984/85

NEW HIGHS (114)

AMERICANS (31), BUILDINGS (1), CHEMICALS (3), STORES (5), ELECTRICALS (3), ENGINEERING (6), FOODS (4), HOTELS (1), INDUSTRIALS (10), INSURANCE (2), LEISURE (1), MOTORS (1), PAPER (1), SHOES (1), TEXTILES (3), TRUSTS (14), OILS (5), PLANTATIONS (1)

NEW LOWS (36)

BRITISH FUNDS (4): Treas. 15½pc 1998, Treas. 13¾pc '04-08, Exchqr. 12½pc '99, Treas. 2½pc IL 2013

BUILDINGS (1): Travis & Arnold

STORES (2): Castle (G. B.), Millets Leisure, Goldberg (A.)

ELECTRICALS (3): Feedback, H-B Electronic

FOODS (1)

INDUSTRIALS (2): Hunting Assoc., Scar Computer

PROPERTY (1): Control Secs.

SHOES (1): Headlam Sims

OILS (2)

MINES (10): Durban Deep, Gencor, Marievale, Doornfontein, Stilfontein, Vierfontein

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	40	57
Corpns., Dom. & Foreign Bonds	14	23	36
Industrials	318	364	770
Financial & Props.	103	110	335
Oils	28	21	65
Plantations	2	—	10
Mines	11	33	80
Others	100	53	58
Totals	593	686	1,411

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$284.75
GOLD C	$300	[illegible]	7.60	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD C	$320	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

TOTAL VOLUME IN CONTRACTS: 26,844.

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*558)	420	145	—	—	0	—	—
	460	106	110	113	3	5	11
	500	65	75	80	2	17	28
	550	25	40	30	30	40	47
	600	13	23	30	68	73	80
Cons. Gold (*482)	[illegible]	[illegible]	[illegible]	65	8	10	20
Courtaulds (*130)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*175)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C.E.G. (*198)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*280)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*877)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec. (*309)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp. (*139)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*785)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar Hse (*355)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds. (*340)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*509)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bt. Telecom (*121)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*196)	160	43	48	—	8	3	—
	180	23	21	—	7	10	—
	200	10	21	28	10	20	21
	220	0	10	14	30	22	25
LASMO (*360)	600	80	70	—	4	8	—
	630	43	30	—	13	18	—
	360	57	33	40	28	33	40
	390	10	18	06	47	20	35
Lonrho (*181)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*348)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*198)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*657)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs ($73)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ex. 10% 1989 (*£99)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR (*630)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham (*353)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers ($4.15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN (*205)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*204)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*322)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*283)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index (*1261)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Feb. 25. Total contracts 8,238. Calls 5,201. Puts 3,051.
* Underlying security price.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
100	F.P.	8/3	136	124	Alexandra Work. 10p	123	+1	bg4.0	2.6	e.1	11.2
‡10	F.P.	8/2	14½	15	✤B'nnett&Fount'n 10p	13½	......	bg0.42	1.8	4.4	13.3
150	F.P.	3/3	132	139	Berkeley Technology	139	......	bQ6.7c	1.0	4.3	14.e
‡80	F.P.	1/5	145	118	✤Bluebird Toys 10p	140	......	u3.15	2.3	3.2	19.7
§105	P.P.	13/3	106	98	✤Cons. Tern. Invs. 20p	98	......	ud5.0	2.0	7.3	e.7
100	F.P.	22/5	104	101	German Small Units●	104	+1	—	—	—	—
¶145	F.P.	14/3	180	172	Nilledown Hldgs. 10p	177	+2	bgd0.0	9.7	2.2	16.0
‖‖	F.P.	—	525	273	✤Memcom Intl. 10p	273	......	5.5	4.1	1.8	17.5
§33	F.P.	e/0	07	4e	✤Optometrics (U.S.A.)	4e	+1	Q$c	—	3.7	—
‡125	F.P.	—	218	190	✤Osborne & Little 5p	127	+2	bg2.0	3.2	1.5	31.5
100	75	1/e	84	77	Pacific Assets Tst. 50p	2e½	−½	—	—	—	—
‖‖	F.P.	—	45½	37	✤Sangers	40xa	+0	—	—	—	—
§68	F.P.	13/2	108	82	✤Spafex Television	108	+1	b6.0	2.9	2.7	19.3
§174	F.P.	1/3	525	200	✤Synapse Comp'r. 3p	220	......	bgd1.5	5.1	1.0	28.8
§95	F.P.	8/5	138	112	✤Whitworth's Food 5p	112	−7	ud2.0	1.2	2.4	51.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
21,074	£30	10/4	34¼	27	African Dev. Bank 11⅛% Ln. 2010	30½	......
¶¶	F.P.	—	113	110	Beazer (C. H.) 2½% Uns. Ln. 2000	111	+1
§101	£51	10/2	54	80	Felixstowe Dock Prf. Units †	e1	......
‖	F.P.	22/3	102¾	99	Greycoat Offices 12.85% Uns. Ln. 1990-92	101	......
86.81	£30	13/6	30½	24	Int.-Am. Dev. Bk. 8¾ Ln. 2010	27½	......
§99.199	£20	1e/5	20⅞	04½	Lon. Shop Prop. 11½% 1st Mort. Deb. 2018	23	......
§97½	£10	—	11	10¾	Mid-Sussex Wtr. 12% Deb 2010	11	......
¶¶	F.P.	15/2	111	106	Mountleigh 9½% Conv. Unsec. Ln. 2005	107	......
—	F.P.	—	99⅝	98⅝	Nationwide Bldg. Soc. 12% 3/2/86	98¾	......
—	F.P.	—	100	00½	Do. 12⅝% 24/2/86	99½	......
¶¶	F.P.	—	111	111	Pleasurama 7% Cnv. Red. Prf	111	......
‖	Nil	—	12pm	4½pm	Polly Peck Intl. 9% Cv. Un. Ln. '03-06	4½pm	−⅛
‖	Nil	12/4	12pm	2pm	✤Sangers 11% Cnv. Uns. Ln. 94/02	2pm	−1
1£11	F.P.	13/2	117	107	Shires Inv. Units ‡	110	......
94.895	£30	—	30½	30	Spain (Kingdom of) 11¾% Ln 2010	30½	−⅛
01.976	£20	27/e	24⅞	17⅛	Sweden 11% Ln. 2012	20	−¼
‖	Nil	—	17pm	12pm	Tricentrol 11% Cnv. Uns. Ln. 23/05	10pm	......

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −
32	Nil	—	7pm	7pm	Barrow Hepburn	7pm	......
370	Nil	4/4	98pm	80pm	Bunzl	50pm	−10
325	Nil	—	83pm	80pm	DPCE 0p	20pm	......
86	F.P.	22/3	118	104	First Castle 10p	110	+0
150	F.P.	12/3	165	101	McCorquodale	165	......
80	Nil	22/3	18pm	3pm	Newman-Tonks	15pm	+3
100	Nil	—	122pm	112pm	New Tokyo Inv. Tst. 50p	112pm	−1
38	F.P.	11/2	48	42½	Premier Cons. 0p	47	+½
66	Nil	—	18pm	14pm	✤Pres. Entertainments 50p	19pm	+1
38	Nil	20/3	2pm	0½pm	Renold	8½pm	−½
210	Nil	e/4	48pm	22pm	Royal Bank of Scotland	22pm	−3
650	F.P.	21/3	£10¼	810	Samuelson Grp. £1	e30	−40
33½	Nil	—	14pm	3pm	✤Sangers	epm	+2
40	Nil	22/e	17pm	7pm	✤Southwest Res. 40p	1epm	......
435	Nil	—	132pm	110pm	Systems Designers ep	110pm	−10
12½	Nil	27/3	13pm	2pm	Westwood Dawes 'B' 12½p	11pm	......

Renunciation date usually last day for dealing free of stamp duty. 0 Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. N Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▪ Allotment letters or fully paid. ‖‖ Introduction. ✤ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant. ● With Warrants attached.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 18	Mar 1	May 30	June 10
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8

For rate indications see end of Share Information Service

Active conditions returned to the Option market. Calls were taken out in Tranwood, Premier Oil, Charterhall, Combined Technologies, Sound Diffusion, East Rand Consolidated, J. & H. B. Jackson, British Vending Industries, Ashley Industrial, Pentland Industries, George Wimpey, Strong and Fisher, Falcon Resources, Grovebell, Breville Europe, Combined English Stores, Ben Bailey, C. H. Bailey, Osborne and Little, Fisons, Alfred Preedy, Bristol Oil and Minerals, Evered, Bryson, Lex Service, Birmid Qualcast, Eglinton Oil and Gas, Woodside, Ladies Pride, Plessey, Garton Engineering, John Brown, Barratt Developments, GKN, and Northern Engineering Industries. Puts were struck in Grand Metropolitan, Smith St Aubyn and Clive Discount. No doubles were reported.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Inds	338	−17
Brammer	322	+8
Brit Telecom	120	−3
Commercial Union	177	−3
Heath (C. E.)	610	−5
Imperial Group	196xd	−5½
Invent Energy	710	+50
Lon & Manchester Gp	657	−3
McAlpine (A.)	236	−18
Pentland Inds	455	+15
Shell Transport	785	+10
Vickers	235	−8

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Falcon Res	46	412	+7
Grand Met	28	288	−12
Jaguar	21	326	−4
Saxon Oil	21	500	+27
Brammer	20	314	−7
Finlay (James)	20	144	−3
Aitken Hume	19	181	−2
Debenhams	19	206	−3
ICI	19	880	+3
Hogg Robinson	12	260	−3
Combined Tech	17	28	—
Muirhead	17	158	−13
Tranwood	17	14	−1½
BAT Inds	12	355	−5

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

Financial Times Tuesday February 26 1985

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

INSURANCES

LEISURE

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS—3-month call rates

"Recent Issues" and "Rights" Page 27

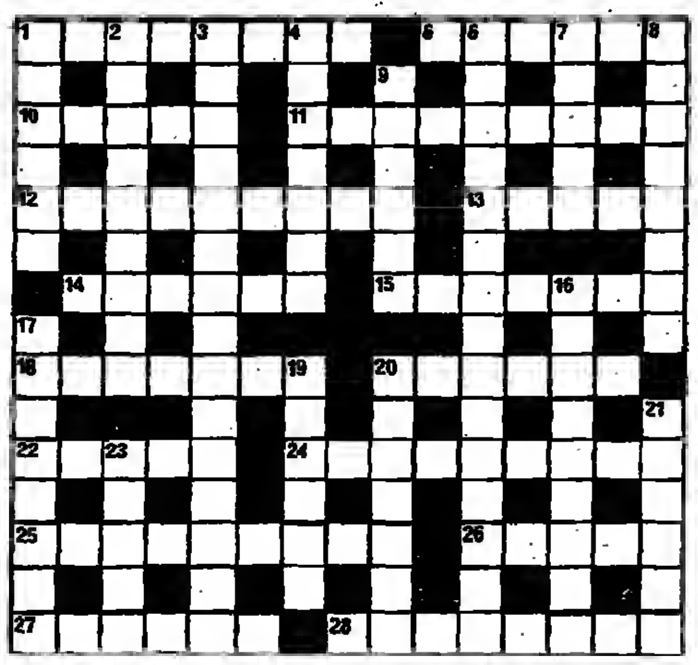
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,654



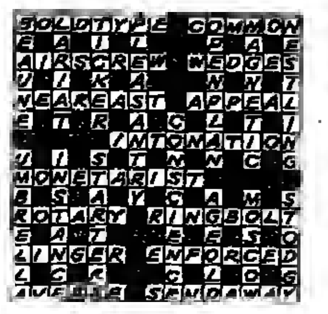
ACROSS

1 Element may be Athenian in any case (8)
5 Their function is to secure quiet in class (6)
10 Seat of learning? (5)
11 Badly turned out, being ignorant (9)
12 Put out fire (9)
13 Agree to be enthusiastic (5)
14 Plant the Spanish grain first (6)
15 Mother hides a blemish with make-up (7)
18 Perhaps he's right to gamble and drink (7)
20 Give no answer (6)
22 Urge preparation for breakfast? (3, 2)
24 About to teach the others self-control (9)
25 Start moving to Nigeria (9)
26 Possibly hated the end of one's life (5)
27 Plan to set American soldiers back in retreat (6)
28 No unwritten laws (8)

DOWN

1 Agree it's of small account and give in (6)
2 Make a key alteration to the score (9)
3 The cash furnishing trade (8, 7)
4 Gear for a new Renault (7)
6 Landlords with a good reputation for paying bills (7, 2, 6)
7 It may indicate disinterest in Welsh Rugby (5)
8 Genuine support for a team of stars (8)
9 Disturb the master flow (6)
16 He is hostile, letting out Alsatians (9)
17 Starfish disclosed by tides or a storm (8)
19 Asian sailors? (6)
20 Honour a relation (7)
21 Attacks the copper with acid (6)
23 Doesn't lose in cutting the cackle? (5)

Solution to Puzzle No 5,653



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.51		—	−0.11

Inv. Adv.. M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.

10, St George's St, Douglas IoM. 0624 25015

Wren Coml Fund	12.8	13.3	3.10
Commodity Fund	57.1	59.5	1.70
Precious Metal Fund	69.6	72.5	8.30
Vanguard Cmdty Fd	19.4	19.9	0.00
Financial Futures Fd	32.4	33.7	

Yamaichi Dynamic Mngt Co SA

10A Boulevard Royal, Luxembourg

Dynamic Grwth Fd	$8.77	—	−0.03

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	13.88	14.46	6-mth	Call
7-day Fnd	13.92	14.51	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	13.84	14.31	6-mth	Call
7-day Fund	13.92	14.40	6-mth	7-day
Money Mngt. Acct.	13.62	14.33	3-mth	Call
Dollar	7.44	7.57	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	13.75	14.49	Qrt	Call
Mth. Int. Chq.	13.50	14.37	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.25	14.09	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.25	13.92	Qrt	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.25	14.09	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.115	Mth	Call
Swiss francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qrt	Call
Over £1,000	14.00	14.75	Qrt	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	13.50	14.20	Qrt	Call
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.25	14.09	Mth	Call
Lombard North Central PLC				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13.68	Rate/	14-day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.25	14.10	Daily/	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	13.25	13.92	Qrt	Call
Provincial Trust (formerly Choularton)				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	14.00	14.93	Mth	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Bk. Acc	13.10	14.00	Daily	Call
Premier Acc	13.10	14.00	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13.76	14.50	Qtr	Call
Money Acc	13.50	14.20	Qtr	Chq7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.50	14.37	Mth	Call
Over £10,000	13.75	14.65	Mth	Call

Notes: CAR = compounded annual rate. Int Cr = frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

Strong dollar sends gold tumbling to 5½-year low

BY JOHN EDWARDS, COMMODITIES EDITOR

GOLD TUMBLED to the lowest level since August 1979 yesterday, with the London bullion spot price losing $14.25 to $284.75 an oz. It was the biggest daily fall for over a year.

Dealers said the rise in the value of the dollar, and President Reagan's refusal to do anything about it, appeared to have broken the resistance that had been building up around $300 an oz and unleashed a wave of selling by disillusioned speculators.

The fall in gold, and the strong dollar, also hit other metals. The London free market price of platinum fell sharply by $20.75 to $248 (£234.85) an oz and palladium lost $8.60 to $112 an oz.

Silver was hit hard too. The London spot price at the morning fixing was cut by 55 cents to 545 cents an oz, while the sterling equivalent fell by 43.45p to 513.65p. However, the market rallied in the afternoon with the spot price closing at 562.5 cents (533p).

On the London Metal Exchange an earlier rise in prices (on the weak trend in sterling) was suddenly reversed by heavy speculative selling from New York based on the strong dollar. As a result the market closed almost unchanged with the three months higher grade copper price at £1,291.25 a tonne having fluctuated from a high of £1,306 to a low of £1,277.

In the currency turmoil, the small rise in copper stocks held in the London Metal Exchange warehouses went almost unnoticed, although some dealers felt it may have contributed to the selling by speculators, who have become accustomed to regular weekly stock declines.

As one dealer drily commented: "Supplies of copper are getting scarcer, but the price keeps falling."

The volatile performance of copper restrained other base metal markets. Nevertheless weaker sterling drove nickel and tin prices to record levels and zinc was the highest point for nearly 12 years, although losing some ground in the afternoon.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending Feb. 22)

	tonnes
Aluminium	−2,200 to 130,950
Copper	+525 to 109,575
Lead	−1,975 to 53,225
Nickel	+612 to 6,456
Tin	+300 to 22,115
Zinc	+425 to 32,450
	ounces
Silver	+490,000 to 53,494,000

● SWEETWATER, Miss., — Ozark, Lead Co, part of Standard Oil Co's (Ohio) subsidiary Kennecott, ratified a new three-year labour contract with members of the United Steelworkers of America on Saturday, reports Reuter.

Ozark has been shut since March 1983 due to poor economic conditions in the lead industry. Mr Michael Young, the general manager, said the pact, which runs to February 29, 1988, cuts labour costs significantly and improves chances of a restart

London tea prices drift down again

By Richard Mooney

TEA PRICES were generally lower at yesterday's weekly London auction.

But after falling for five weeks in succession to the lowest level for five months, the average price for quality grade tea was unchanged at 306p a kilo, according to the Tea Brokers Association of London. Medium grade was 110p lower at 252p a kilo while low medium was 10p higher at 214p a kilo.

There were 45,883 packages on offer including 10,830 in the offshore section.

Assams were well supported, the association said, but at prices mostly 6p to 10p a kilo below last week's. Bangladesh teas were 10p-20p a kilo cheaper.

Brightest Africans sold well but others shed 5p-10p a kilo

Demand was fair for Ceylon teas but prices saw a further decline.

● CRUDE oil futures trading on the New York Mercantile Exchange (NYMEX) has been extended for two days beginning with the April 1985 contract. Contracts will now end three instead of five trading days before the 25th day of the preceding month. NYMEX says the change will make the crude contract more useful to oil companies trading spot month futures while arranging supply logistics in the physical market.

● COFFEE futures trading on the London market will begin at 9.45 am instead of 10.30 am for a six-month trial from March 1. The move is designed to attract more interest from continental users who for most of the year are operating one hour ahead of GMT.

● WORLD COCOA bean production in the 1984-85 season is forecast at 1.81m tonnes, four per cent above the October estimate and 18 per cent above the 1983-84 crop, the U.S. Agriculture Department said.

In its World Production and Trade report, the department said better weather and higher grower prices were the major reasons

The hunt for a winning export crop

Farmers' viewpoint: John Cherrington reports from Tasmania

THE BERRIED hawthorns lining the road to my host's farm here underlined the change in the environment. Instead of the bleached pastures and stubbles of mainland Australia stretching without relief into the far horizons, this is a kinder landscape, at least in the north of the state.

True, the predominant trees are again eucalyptus, some of spectacular size, but the landscape is a fair imitation of the British scene, with smaller fields, hedges, streams and woods. The flat or rolling land is set against a backcloth of high mountains rising steeply to the central plateau.

The farming is among the most intensive in Australia. Tasmania is Australia's main source of vegetables for processing, of opium poppies (grown under strict licensing and supervision) soft fruit and flowers. There appears to be ample irrigation water to supplement a reasonable winter rainfall. Many farms are quite small by Australian standards, and originally carried dairies. But dairying here is a sad story.

Before Britain joined the European Community there were over 4,000 dairy farmers, many on farms allocated to returned soldiers of both world wars. There are now 1,200 and the pessimists believe this number could fall to around 200 unless some way is found to prevent the erosion of returns and what they see as the invasion of their markets by the EEC and the enterprise of the New Zealand Dairy Board.

Like grain and meat exporters, their main complaint is against the EEC. Not that Australian dairy exports were of such great importance as grain and meat. But farmers feel they are losing existing Far East markets for milk products, and finding their own invaded.

The New Zealanders had managed an agreement with the EEC and the U.S. for some sort of market sharing in dairy products, and some sort of price maintenance as well under Gatt. But the latest clearance sale of Community butter to Russia at half the Gatt price has dealt a bitter blow. An even unkinder blast is the presence of EEC and New Zealand cheeses in Australian shops.

These angry sentiments are not confined to Tasmania. The Press everywhere is full of complaints of the invasion of traditional markets, and politicians are taking notice, or at least making speeches about them. I have been particularly impressed because in previous visits here I have never seen or heard such invective directed at this target. The Australians have probably woken up too late to the realities of the Common Agricultural Policy.

Enough of politics for the moment. The farming I have been seeing here in Tasmania is near enough to our own to make comparisons. It is not a great cereal producer on the Australian pattern of low yields and wide open spaces. But by using what could be called British techniques one farmer I met had grown 10 tonnes of wheat a hectare. This was a record. There was less disease and less use of nitrogen than in Britain. It was also autumn instead of spring sown, giving it much longer in the soil.

Tasmania is a cereal deficit state, and since it is unlikely that such yields could be created elsewhere without irrigation, the threat of an increasing wheat mountain is a distant one. I saw some splendid crops of peas grown with irrigation which could go for freezing for sale here or abroad.

The farms I saw were generally on strong land, very wet in the winter, but they could be drained quite easily. It is quite possible that if the British practice of autumn sowing were to be adopted yields could rise markedly. Harvest time is almost invariably fine and hot with little need for grain drying.

Stocking rates for cattle and sheep are heavy in the better areas. But I would not like to be paid £10 for a lamb when I would get three times as much in Britain. But wool is being helped by the Australian dollar's falling exchange rate, and it is likely to regain its past importance as a high value low volume export along with such exotic examples as essential oils, berried fruits and flowers out of season and special delicacies to tempt the Asian consumer. The trouble is that no one yet seems to have identified which products will enable Australian farmers to survive.

Irate reaction to Reagan's plans to cut farm subsidies

BY NANCY DUNNE IN WASHINGTON

THE REAGAN administration's 1985 farm programme brought an angry response from some farm-state legislators when it was delivered to Capitol Hill last Friday.

The proposed export-oriented bill would phase out acreage reduction programme, drop subsidies and price supports and limit the amount individual farmers could receive in government payments. It would also eventually give the Department of Agriculture the option to lift sugar quotas.

Most farm groups united in opposition to the stringency of the cuts, which would slash farm spending from nearly $60m for 1987-91 to $30bn to $45bn. Most said farmers could not look to shrinking export markets for survival when the whole sector was in its worst crisis since the great depression.

In its trade section, the bill requires the Secretary of Agriculture and the U.S. trade representative to negotiate removel of trade barriers and unfair trade practices by July 1, 1986. If negotiations are not successful by then, the two officials must submit recommendations on other action to offset the effects of trade restrictions. They are required to consider using more long-term credit, government stocks, export or export credit subsidies and bilateral trade agreements.

Mr John Block, the Agriculture Secretary, expressed confidence that most of the administration's proposals would be passed and called them the only viable option in the effort to restore prosperity to the U.S. farm economy.

Brazil's soya forecast doubted

SAO PAULO — Brazil could still produce around 16m tonnes of soyabeans in the coming 1984-85 crop, in spite of problems caused by inadequate rain in some states last month, traders said yesterday.

They believe the recent forecast for production of 16.77m tonnes by the Ministry of Agriculture's Production Financing Company (CFP) is too optimistic, both with regard to planted area and productivity.

The CFP estimates the planted area rose 4 per cent to 9.52m hectares and expects 5 per cent increase in yields.

Observers recently returned from the new soyabean-growing areas of Mato Grosso and Goias reported a significant increase in planting, although it may not have been as high as that projected by the CFP.

The traders do not foresee any noticeable rise in overall yields REUTER

Columbia begins exporting coal

BY GEORGE MILLING-STANLEY

THE FIRST export shipments of steaming coal from Columbia's $3.2bn El Cerrejon mine were made last weekend, one year ahead of schedule, according to President Belisario Betancur.

The early start was made possible by building temporary port facilities at Puerto Bolivar on the Caribbean coast at the northern tip of Guajira province, President Betancur said at the port's official opening.

El Cerrejon is a joint venture shared equally between Colombia's state-owned coal company Carbones de Colombia (Carbocol) and International Columbia Resources (Intercor), a wholly-owned subsidiary of the Exxon oil group. The partners hope the mine will supply almost 10 per cent of the world market for coal for power generation by 1990.

The mine's initial target is exports of 3m tonnes this year, bringing in some $120m in revenue. El Cerrejon started production from the 94,000-acre North Block open-pit a year ago, and output has been stockpiled while the port and a 90-mile rail link were completed.

The mine is expected to reach full production next January, when the port will be able to accommodate ships of up to 150,000 dwt. By 1989, El Cerrejon should be exporting 15m tonnes of high-grade steaming coal a year, to make it the largest coal mine in South America and one of the biggest in the world.

Mr Leon Teicher, marketing manager of Carbocol, said at the weekend that by the year 2009 only 10 per cent of El Cerrejon's proven coal reserves of 3.6bn tonnes will have been extracted. The potential reserves are estimated at 16.5bn tonnes.

All coal from El Cerrejon will be exported, mainly to Western Europe, although the partners are also seeking other markets. Mr Teicher said that as Colombia was the only country in South America with both Atlantic and Pacific ports, there were potential markets elsewhere in South America and in the Caribbean, the south-eastern U.S. and the Far East.

As El Cerrejon moves towards full production, coal is expected to grow in importance as an export commodity from Colombia, and if the initial projections are realised, it could eventually rival coffee as the country's most lucrative export. Coffee currently accounts for some 50 per cent of Colombia's export revenues, but it could be matched or even overtaken by coal by the end of the 1980s.

Poultry decision angers farmers

By Andrew Gowers

BRITAIN'S turkey industry has sharply criticised the Government for lifting its four-year ban on fresh poultry imports from the U.S.

Mr Bernard Matthews, Britain's most famous turkey producer, and president of the British Turkey Federation, said the decision, which took effect last week, would jeopardise thousands of jobs.

The move coincided with a decision by the U.S. to relax its rules on the import of hatching eggs from Britain. A U.S. ban on imports of UK poultry meat remains.

Mr Matthews said: "In return for the right to sell the U.S. a few thousand pounds worth of hatching eggs the Ministry (of Agriculture) has in effect opened the doors to U.S. poultry."

The ministry said earlier it would continue to press the U.S. to recognise British meat hygiene controls.

LONDON MARKETS

STERLING'S continued decline against the dollar brought sharp rises in London's cocoa and coffee futures markets yesterday but the sugar futures market, which is traded in dollar terms, was easier.

Cocoa's price rise, which was also influenced by a lack of physical supplies coming forward from producing countries, took the May position up to £2,236 a tonne at one stage, but late profit-taking trimmed this back to £2,223 a tonne at the close for a rise on the day of £45.50.

Coffee futures' advance, which took the May quotation £38.50 higher on the day at £2,455.50 a tonne, was aided, dealers said, by chart-based covering against short positions, light fresh buying and some light stop-loss buying when the old life-of-contract high of £2,438 a tonne was breached.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

INDICES

FINANCIAL TIMES

Feb. 22	Feb. 21	M'th ago	Year ago
296.22	295.41	298.86	291.27

(Base: July 1 1952 = 100)

REUTERS

Feb. 25	Feb. 22	M'th ago	Year ago
2022.1	2095.1	2004.5	1951.5

(Base: September 18 1931 = 100)

MOODY'S

Feb. 21	Feb. 20	M'th ago	Year ago
N/A	984.7	—	1051.1

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Feb. 21	Feb. 20	Month ago	Year ago
Spot	130.18	130.67	—	138.01
Fut.	131.64	N/A	—	140.91

(Base: December 31 1974 = 100)

BASE METALS

COPPER

ALUMINIUM

NICKEL

TIN

GOLD

LEAD

ZINC

SILVER

COCOA

COFFEE

PIGMEAT

POTATOES

COTTON

GRAINS

OIL

RUBBER

SOYABEAN MEAL

SUGAR

U.S. MARKETS

HEATING OIL opened weak but rallied late in the day on indications of tight industry stocks; the weakness was much more pronounced in the distant months, reports Heinold Commodities. The soyabean complex came under heavy pressure from liquidation triggered by lower commercial buying. Precious metals were under considerable pressure from long liquidation and fresh selling linked to the weak tone in financials and currencies. Copper and aluminium showed sharp losses in sympathy with currencies and financials. Sugar was mixed with pressure developing in the deferreds on forecasts that stocks will remain burdensome over the long term. Cocoa firmed on good trade support as concerns over nearby availability surfaced. Coffee lost ground as weakness in sterling encouraged selling.

NEW YORK

CHICAGO

OTHER MARKETS

WOOL FUTURES

MEAT

ROTTERDAM

CURRENCIES MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

$ pushes all but yen aside

Central banks were again forced to stand to one side and watch the dollar continue its record-breaking run on the foreign exchanges. Speculative demand for the U.S. currency continued at a very high level, while end-of-the-month book squaring may have helped add additional support. From the opening the market appeared to be moving only one way, and in spite of rumours about possible intervention by the Bank of Japan earlier in Tokyo, the European central banks declined to enter the market on fears that any reasonable scale of action would be swept aside.

This was virtually proved when dollar selling suddenly developed around lunch time. It was reported to come from South Africa, and dealers estimated that about $500m were sold to buy other currencies, but as soon as these sales dried up the dollar rushed up again.

The dollar rose to another 13½-year peak of DM 3.4510 from DM 3.3870; to a record FFr 10.55 from FFr 10.37; and to SwFr 2.9165 from SwFr 2.8565.

The Japanese yen was also very strong, however, with dealers noting demand for the currency from Japanese companies near the end of the financial year. The dollar fell to Y262.60 from Y262.75.

On Bank of England figures the dollar's index rose to a record 157.1 from 155.1.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0545. January average 1.1274. Exchange rate index fell 0.6 to 70.9, after opening unchanged at 71.5, and gradually declining to 71.2 at 3 pm. Six months ago the index was 77.8.

Sterling held reasonably firm against all currencies except the dollar and yen before lunch, but was unable to hang on to the $1.06 level and eventually lost ground to most Continental currencies as well. It touched a low of $1.0525 and closed 2.25 cents down on the day at $1.0540-1.0550. Earlier in the day reports of more miners returning to work, as well as high London interest rates, supported the pound against other currencies, but it eventually fell to DM 3.6425 from DM 3.65; FFr 11.15 from FFr 11.1650; and Y276¼ from Y283¼, but closed unchanged at SwFr 3.08.

D-MARK—Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. January average 3.1698. Exchange rate index 117.3 against 123.8 six months ago.

The D-mark continued to take most of the pressure, as the dollar rose to further records in very hectic Frankfurt foreign exchange trading. Dealers described the demand for the dollar is almost entirely speculative, with little corporate demand to back it up, but that the buying was encouraged by the continued absence of the central banks from the market. The dollar closed in Frankfurt at another 13½-year high of DM 3.4510, exactly 6 pfennigs above Friday's finish. Earlier in the day it was fixed at the highest level since August 6 1971, when exchange rate parities still existed. Without any intervention by the Bundesbank the dollar was fixed at DM 3.4375 compared with DM 3.38 on Friday. The Japanese yen was also very strong, rising to a record DM 1.3105 per 100 yen, compared with DM 1.2888 on Friday. Sterling fell back to close at DM 3.6450 from the fixing of DM 3.6560.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.8383	−0.14	+0.36	±1.5522
Danish Krone ...	8.14104	7.98788	−1.88	−1.28	±1.6419
German D-Mark	2.24184	2.22805	−0.70	−0.20	±1.1475
French Franc ...	6.87456	6.80605	−1.00	−0.50	±1.3669
Dutch Guilder...	2.52595	2.52329	−0.11	+0.39	±1.5171
Irish Punt	0.72569	0.714796	−1.51	−1.01	±1.6703
Italian Lira	1403.49	1390.19	−0.95	−0.95	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Feb 25	Previous
8.30 am	71.5	71.6
9.00 am	71.5	71.6
10.00 am	71.4	71.6
11.00 am	71.3	71.5
Noon	71.2	71.5
1.00 pm	71.3	71.4
2.00 pm	71.3	71.5
3.00 pm	71.2	71.4
4.00 pm	70.9	71.5

£ in New York

	February 25	Prev. close
£ Spot	$1.0540-1.0547	$1.0739-1.0749
1 month	0.45-0.43pm	0.45-0.43pm
3 months	1.22-1.18pm	1.22-1.20pm
12 months	3.10-3.00pm	3.10-3.00pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Feb 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0525-1.0775	1.0540-1.0550	0.47-0.44c pm	5.18	1.25-1.20 pm	4.65
Canada	1.4750-1.4960	1.4750-1.4820	0.49-0.40c pm	3.51	1.02-0.88pm	2.58
Nethlnd.	4.12-4.15½	4.12¾-4.13¾	2½-2¼c pm	6.90	7-6¾pm	6.66
Belgium	73.20-74.10	73.20-73.30	25-20c pm	3.69	66-58pm	3.39
Denmark	13.03-13.12½	13.06-13.07	4¾-4¼ore pm	3.98	10-9¼pm	2.87
Ireland	1.1680-1.1750	1.1705-1.1715	0.07p pm-0.13 dis	−0.15	.10pm-.30dis	−0.34
W. Ger.	3.63½-3.66	3.63¾-3.64¾	2½-2¼pf pm	8.03	7¼-7pm	7.82
Portugal	195½-199¾	195½-197½	185-515c dis	−21.39	470-1345dis	−18.49
Spain	200-201½	200-201½	30-15c pm	1.35	85-40pm	1.05
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 73.50-73.60. Six-month forward dollar 1.82-1.77c pm. 12-month 2.30-2.19c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0525-1.0775	1.0540-1.0550	0.47-0.44c pm	5.18	1.25-1.20 pm	4.65
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

OTHER CURRENCIES

Feb. 25	£	$		£ Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

† National holiday, no fixing. * Selling rate.

CURRENCY MOVEMENTS

Feb. 25	Bank of England Index	Morgan Guaranty Change %
Sterling	70.9	−16.8
U.S. dollar	157.1	+40.0
Canadian dollar	88.5	−7.4
Austrian schilling	107.3	+3.2
Belgian franc	86.8	−11.3
Danish Kroner	74.3	−8.5
Deutsche mark	117.3	+5.2
Swiss franc	131.6	+8.5
Guilder	107.7	+1.0
French franc	62.2	−16.9
Lira	45.7	−59.7
Yen	155.4	+11.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 25	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
U.S. $	8	[illegible]	[illegible]
Canadian $	10.95	[illegible]	[illegible]
Austria Sch.	4½	[illegible]	[illegible]
Belgian Fr.	11	[illegible]	[illegible]
Danish Kr.	7	[illegible]	[illegible]
D'mark	4½	[illegible]	[illegible]
Guilder	5	[illegible]	[illegible]
French Fr.	9½	[illegible]	[illegible]
Lira	16½	[illegible]	[illegible]
Yen	5	[illegible]	[illegible]
Norway Kr.	8	[illegible]	[illegible]
Spanish Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	4	[illegible]	[illegible]
Greek Dr'ch.	20½	[illegible]	[illegible]
Irish Punt	13¾	[illegible]	[illegible]

* CS/SDR rate for February 22: 1.32187

EXCHANGE CROSS RATES

Feb. 25	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.055	3.645	276.3	11.15	3.080	4.130	2274.	1.479	73.25
U.S. Dollar	0.948	1.	3.455	261.9	10.57	2.919	3.915	2156.	1.402	69.43
Deutschemark	0.274	0.289	1.	75.80	3.059	0.845	1.133	623.9	0.406	20.10
Japanese Yen 1,000	3.620	3.817	13.19	1000.	40.36	11.15	14.94	8232.	5.352	265.1
French Franc 10	0.897	0.946	3.269	247.8	10.	2.762	3.702	2039.	1.326	65.70
Swiss Franc	0.325	0.342	1.184	89.69	3.620	1.	1.340	738.3	0.480	23.78
Dutch Guilder	0.242	0.255	0.883	66.93	2.701	0.746	1.	550.9	0.358	17.75
Italian Lira 1,000	0.440	0.464	1.603	121.5	4.903	1.355	1.815	1000.	0.650	32.21
Canadian Dollar	0.676	0.713	2.464	186.8	7.541	2.083	2.792	1538.	1.	49.54
Belgian Franc 100	1.365	1.440	4.973	377.1	15.22	4.205	5.635	3104.	2.018	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	13¾-14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	14-14¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term [illegible] per cent; seven days [illegible] per cent; one month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. Long-term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Rates steady despite pound's fall

Interest rates were generally steady on the London money market yesterday, although the longer end of the market tended to move higher as prospects for any change in clearing bank base rates appeared to move well beyond the immediate future. The Budget on March 19 was seen as the same sort of focal point for market hopes of lower interest rates, but these hopes faded in proportion to sterling's decline against the dollar on the foreign exchanges.

Three-month interbank was steady throughout at 14¼-14⅛ per cent, compared with Friday's close of 14⅛-14¼ per cent, while

UK clearing banks base lending rate 14 per cent since January 28

discount houses, buying rates for three-month eligible bills firmed slightly to 13⅞ per cent from 13¾ per cent.

The relative steadiness of these rates indicates that there is also thought to be little prospect of higher base rates, despite the weaker pound, but as hopes have faded of lower rates longer rates have gone firmer, with 12-month certificates of deposit rising to 13⅞-13¾ per cent from 13⅝-13½ per cent.

The Bank of England forecast a modest money market shortage of £250m and revised this to £200m in the afternoon. There was no early help and the authorities did not operate in the market during the afternoon.

All the help was provided before lunch when the Bank of England bought £224m bills outright. The total was made up of: £1m Treasury bills in band 1 (up to 14 days maturity) at 13⅞ per cent; £22m bank bills in band 1 at 13⅞ per cent; £1m Treasury bills in band 2 (15-33 days) at 13⅞ per cent; £36m bank bills in band 2 at 13⅞ per cent; £133m bank bills in band 3 (34-63 days) at 13⅞ per cent; £21m Treasury bills in band 4 (64-91 days) at 13¾ per cent; and £9m local authority bills in band 4 at 13¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £639m. This outweighed Exchequer transactions adding £325m to liquidity, and a fall in the note circulation after the weekend of £255m.

In New York the Federal Reserve injected funds into the banking system through customer repurchase agreements amounting to $1.5bn, when Federal funds were trading at 8⅞ per cent.

MONEY RATES

Feb. 25	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lombard	[illegible]	—	—	—	—	—	—	—
Intervention	—	[illegible]	—	—	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Feb. 25 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	9-14⅛	14⅛-14¼	11-14¼	—	—	—	—	—	—
2 days notice	—	—	—	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	—	—	—	—	—	—	—	—
Nine months	[illegible]	[illegible]	—	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	—	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	—	—	—	—
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	10	—	—	—	—
Three years	—	11	—	—	—	—
Four years	—	11	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period January 2 to February 5 1985 (inclusive): 11.840 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rates (published by the Finance Houses Association): 13 per cent from February 1, 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11⅛ per cent. Treasury Bills: Average tender rates of discount 13.4399 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 14½ per cent; three-six months 14 per cent; six-nine months 13¾ per cent; nine-12 months 13 per cent. Under £100,000 11½ per cent from February 13. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. February 25)
Three months U.S. dollars

bid 9 3/16	offer 9 7/16

Six months U.S. dollars

bid 9 13/16	offer 9 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One-month	[illegible]
Two-month	[illegible]
Three-month	[illegible]
Six-month	[illegible]
One-year	[illegible]

Treasury Bonds

Two-year	[illegible]
Three-year	[illegible]
Four-year	[illegible]
Five-year	[illegible]
Seven-year	[illegible]
10-year	[illegible]
30-year	[illegible]

FINANCIAL FUTURES

Prices fall

Prices fell on the London International Financial Futures Exchange yesterday, as the dollar continued to break records on the foreign exchanges. Eurodollars for March delivery opened at the day's low of 90.46 and attracted some buying interest on Liffe, although the market remained concerned that U.S. interest rates may not fall, despite the strong dollar, following comments made by Paul Volcker, chairman of the Federal Reserve Board, last week. Dealers reported that the rise to 90.51 was largely the result of short covering, and that Chicago appears particularly bearish about the prospects for U.S. interest rate contracts at present. March Eurodollars closed slightly down on the day at 90.47 compared with 90.49 previously.

U.S. banks were reported to be sellers of Eurodollar and U.S. Treasury bond futures. March bonds opened at 69-22, and were around the same level on the Chicago opening, and were then chased up to a peak of 69-29, which is close to a chart support level, before falling back on U.S. selling to close at 69-12, compared with 70-05 on Friday.

Three-month sterling deposits began steadily at 86.18, reflecting little change in money market rates, but fell to close at 86.04, after a low of 85.99, as both the short sterling and gilt contracts followed the pound down against the dollar.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.47	90.51	90.46	90.49
June	89.63	89.75	89.61	89.74
Sept	89.08	89.21	89.06	89.19
Dec	88.67	88.74	88.67	88.78
March	88.34	—	—	88.45

Est volume 5,101 (7,329)
Previous day's open int 15,363 (15,378)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 2,330 (2,600)
Previous day's open int 8,386 (8,168)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	—	—	[illegible]
Dec	[illegible]	—	—	[illegible]
March	[illegible]	—	—	[illegible]

Est volume 3,361 (2,776)
Previous day's open int 9,450 (9,452)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) [illegible] (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 560 (568)
Previous day's open int 2,759 (3,136)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 32 (24)
Previous day's open int 280 (275)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3425	—	—	[illegible]
June	0.3457	—	—	[illegible]

Est volume nil (nil)
Previous day's open int 136 (136)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	[illegible]	—	—	[illegible]
June	[illegible]	—	—	[illegible]

Est volume nil (2)
Previous day's open int 118 (117)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	—	—	[illegible]

Est volume [illegible]
Previous day's open int [illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	69-12	69-29	69-09	70-05
June	69-12	—	—	69-04

Est volume 1,259 (1,816)
Previous day's open int 2,349 (2,359)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

STERLING (IMM) Se per £

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 25, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

Country	Currency	Value of £ Sterling
Afghanistan	Afghani	[illegible]
Albania	Lek	[illegible]
Algeria	Dinar	[illegible]
Andorra	French Franc / Spanish Peseta	[illegible]
Angola	Kwanza	[illegible]
Antigua	E. Caribbean $	[illegible]
Argentina	New Peso	[illegible]
Australia	Australian $	[illegible]
Austria	Schilling	[illegible]
Azores	Portug'se Escudo	[illegible]
Bahamas	Ba. Dollar	[illegible]
Bahrain	Dinar	[illegible]
Balearic Isles	Spa. Peseta	[illegible]
Bangladesh	Taka	[illegible]
Barbados	Barbados $	[illegible]
Belgium	B. Franc	[illegible]
Belize	B $	[illegible]
Benin	C.F.A. Franc	[illegible]
Bermuda	Bda $	[illegible]
Bhutan	Indian Rupee	[illegible]
Bolivia	Bolivian Peso	[illegible]
Botswana	Pula	[illegible]
Brazil	Cruzeiro	[illegible]
Brit. Virgin Isles	U.S. $	[illegible]
Brunei	Brunei $	[illegible]
Bulgaria	Lev	[illegible]
Burma	Kyat	[illegible]
Burundi	Burundi Franc	[illegible]
Cameroon	C.F.A. Franc	[illegible]
Canada	Canadian $	[illegible]
Canary Islands	Spanish Peseta	[illegible]
Cape Verde Is.	Cape V. Escudo	[illegible]
Cayman Islands	Cay. Is. $	[illegible]
Cent. Afr. Repub.	C.F.A. Franc	[illegible]
Chad	C.F.A. Franc	[illegible]
Chile	Chilean Peso	[illegible]
China	Renminbi Yuan	[illegible]
Colombia	Col. Peso	[illegible]
Comoro Islands	C.F.A. Franc	[illegible]
Congo (Brazzaville)	C.F.A. Franc	[illegible]
Costa Rica	Colon	[illegible]
Cuba	Cuban Peso	[illegible]
Cyprus	Cyprus £	[illegible]
Czechoslovakia	Koruna	[illegible]
Denmark	Danish Kroner	[illegible]
Djibouti	Djibouti Franc	[illegible]
Dominica	E. Caribbean $	[illegible]
Dominican Repub.	Dominican Peso	[illegible]
Ecuador	Sucre	[illegible]
Egypt	Egyptian £	[illegible]
El Salvador	Colon	[illegible]
Equatorial Guinea	Ekuele	[illegible]
Ethiopia	Ethiopian Birr	[illegible]
Falkland Islands	Falkland Is. £	[illegible]
Faroe Islands	Danish Kroner	[illegible]
Fiji Islands	Fiji $	[illegible]
Finland	Markka	[illegible]
France	French Franc	[illegible]
French C'ty in Af.	C.F.A. Franc	[illegible]
French Guiana	Local Franc	[illegible]
French Pacific Is.	C.F.P. Franc	[illegible]
Gabon	C.F.A. Franc	[illegible]
Gambia	Dalasi	[illegible]
Germany (East)	Ostmark	[illegible]
Germany (West)	Deutsche Mark	[illegible]
Ghana	Cedi	[illegible]
Gibraltar	Gibraltar £	[illegible]
Greece	Drachma	[illegible]
Greenland	Danish Kroner	[illegible]
Grenada	E. Caribbean $	[illegible]
Guadaloupe	Local Franc	[illegible]
Guam	U.S. $	[illegible]
Guatemala	Quetzal	[illegible]
Guinea	Syli	[illegible]
Guinea-Bissau	Peso	[illegible]
Guyana	Guyanese $	[illegible]
Haiti	Gourde	[illegible]
Honduras	Lempira	[illegible]
Hong Kong	H.K. $	[illegible]
Hungary	Forint	[illegible]
Iceland	I. Krona	[illegible]
India	Ind. Rupee	[illegible]
Indonesia	Rupiah	[illegible]
Iran	Rial	[illegible]
Iraq	Iraqi Dinar	[illegible]
Irish Republic	Irish £	[illegible]
Israel	Shekel	[illegible]
Italy	Lira	[illegible]
Ivory Coast	C.F.A. Franc	[illegible]
Jamaica	Jamaica Dollar	[illegible]
Japan	Yen	[illegible]
Jordan	Jordanian Dinar	[illegible]
Kampuchea	Riel	[illegible]
Kenya	Kenya Shilling	[illegible]
Kiribati	Australian $	[illegible]
Korea (Nth)	Won	[illegible]
Korea (Sth)	Won	[illegible]
Kuwait	Kuwaiti Dinar	[illegible]
Laos	New Kip	[illegible]
Lebanon	Lebanese £	[illegible]
Lesotho	Maluti	[illegible]
Liberia	Liberian $	[illegible]
Libya	Libyan Dinar	[illegible]
Liechtenstein	Swiss Franc	[illegible]
Luxembourg	Lux Franc	[illegible]
Macao	Pataca	[illegible]
Madeira	Portug'se Escudo	[illegible]
Malagasy Republic	MG Franc	[illegible]
Malawi	Kwacha	[illegible]
Malaysia	Ringgit	[illegible]
Maldive Islands	Rufiyaa	[illegible]
Mali Republic	C.F.A. Franc	[illegible]
Malta	Maltese £	[illegible]
Martinique	Local Franc	[illegible]
Mauritania	Ouguiya	[illegible]
Mauritius	M. Rupee	[illegible]
Mexico	Mexican Peso	[illegible]
Miquelon	Local Franc	[illegible]
Monaco	French Franc	[illegible]
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	[illegible]
Morocco	Dirham	[illegible]
Mozambique	Metical	[illegible]
Namibia	S.A. Rand	[illegible]
Nauru	Australian Dollar	[illegible]
Nepal	Nepalese Rupee	[illegible]
Netherlands	Guilder	[illegible]
Netherland Antilles	Antillian Guilder	[illegible]
New Zealand	N.Z. Dollar	[illegible]
Nicaragua	Cordoba	[illegible]
Niger Republic	C.F.A. Franc	[illegible]
Nigeria	Naira	[illegible]
Norway	Norwegian Krone	[illegible]
Oman Sul'ate of	Rial Omani	[illegible]
Pakistan	Pakistan Rupee	[illegible]
Panama	Balboa	[illegible]
Papua N. Guinea	Kina	[illegible]
Paraguay	Guarani	[illegible]
Peru	Sol	[illegible]
Philippines	Philippine Peso	[illegible]
Pitcairn Islands	£ Sterling / New Zealand $	[illegible]
Poland	Zloty	[illegible]
Portugal	Portuguese Escudo	[illegible]
Puerto Rico	U.S. $	[illegible]
Qatar	Qatari Ryal	[illegible]
Reunion Island	French Franc	[illegible]
Romania	Leu	[illegible]
Rwanda	Rwanda Franc	[illegible]
St. Christopher	E. Caribbean $	[illegible]
St. Helena	St Helena £	[illegible]
St. Lucia	E. Caribbean $	[illegible]
St. Pierre	Local Franc	[illegible]
St. Vincent	E. Caribbean $	[illegible]
Samoa American	U.S. $	[illegible]
San Marino	Italian Lira	[illegible]
Sao Tome & Prin.	Dobra	[illegible]
Saudi Arabia	Saudi Ryal	[illegible]
Senegal	C.F.A. Franc	[illegible]
Seychelles	S. Rupee	[illegible]
Sierra Leone	Leone	[illegible]
Singapore	Singapore $	[illegible]
Solomon Islands	Solomon Is. $	[illegible]
Somali Republic	Somali Shilling	[illegible]
South Africa	Rand	[illegible]
Spain	Peseta	[illegible]
Spanish ports in North Africa	Peseta	[illegible]
Sri Lanka	S. Rupee	[illegible]
Sudan Republic	Sudan £	[illegible]
Surinam	S. Guilder	[illegible]
Swaziland	Lilangeni	[illegible]
Sweden	S. Krona	[illegible]
Switzerland	Swiss Franc	[illegible]
Syria	Syrian £	[illegible]
Taiwan	New Taiwan $	[illegible]
Tanzania	Tan. Shilling	[illegible]
Thailand	Baht	[illegible]
Togo Republic	C.F.A. Franc	[illegible]
Tonga Islands	Pa'anga	[illegible]
Trinidad	Trinidad & Tob $	[illegible]
Tunisia	Tunisian Dinar	[illegible]
Turkey	Turkish Lira	[illegible]
Turks & Caicos	U.S. $	[illegible]
Tuvalu	Australian $	[illegible]
Uganda	Uganda Shilling	[illegible]
United States	U.S. Dollar	[illegible]
Uruguay	Uruguay Peso	[illegible]
Utd. Arab Emirates	U.A.E. Dirham	[illegible]
U.S.S.R.	Rouble	[illegible]
Vanuatu	Vatu	[illegible]
Vatican	Italian Lira	[illegible]
Venezuela	Bolivar	[illegible]
Vietnam	Dong	[illegible]
Virgin Island U.S.	U.S. Dollar	[illegible]
Western Samoa	Samoan Tala	[illegible]
Yemen (Nth)	Ryal	[illegible]
Yemen (Sth)	S. Yemen Dinar	[illegible]
Yugoslavia	New Y Dinar	[illegible]
Zaire Republic	Zaire	[illegible]
Zambia	Kwacha	[illegible]
Zimbabwe	Zimbabwe $	[illegible]

* Rate is the transfer market (controlled). †† Now one official rate. (1) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Parallel rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad and tourists. (9) Banknote rates. (10) Rate for exports. (12) Rate for imports. (13) Essential imports. (14) Nearly all business transactions. 1 Correction: Deutsche mark rate for February 18 was 3.6028. ** National holiday, no fixing.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 25.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	101⅝	101⅞	−0⅛	−1⅛	11.89
Austria Rep 13⅝ 92	100	108⅛	108⅝	−0⅝	−2	11.82
Bank Of Tokyo 12⅝ 92	100	99½	100	−0⅝	−1⅝	12.67
Bank of Tokyo 13⅝ 91	100	105¼	105¾	−0¾	−2⅛	12.28
BP Capital 11⅛ 92	150	96⅝	95⅝	—	—	11.86
Caisse Nat Tele 13¾ 91	100	106⅝	106⅝	−0⅛	−1⅝	12.10
Canadian Pac 12½ 89	75	101¼	101¾	−0½	−0⅝	12.25
CBS Inc 11⅞ 92	100	97½	97⅞	−0⅛	−1⅝	11.88
Chevron U.S.A. 12¼ 89	600	100⅛	100⅝	−0¼	−1⅛	12.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Change on day	Change on week	Yield
Weyerhaeuser 12¼ 87	150	101¼	101¾	−0¼	−0⅝	11.49
World Bank 12⅛ 94	150	100⅝	101⅛	−0⅛	−1⅝	12.07
World Bank 12⅞ 94	200	103¼	103¾	−0½	−1¾	12.29

Average price change On day −0½ on week −1½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	99¾	100⅛	0	−1⅛	8.03
Austria, Republic 7⅝ 94	200	97⅝	98⅛	−0⅛	−1⅛	7.94
Baxter Travenol 7¼ 94	200	97½	98⅛	0	−0¾	7.66
Credit National 8⅛ 04	200	100⅛	100⅝	−0⅛	−0⅝	8.04
Degussa Int Fin 7½ 94	100	98½	98¾	−0⅛	−1⅛	7.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS — SWISS FRANC STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — CONVERTIBLE BONDS: [illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

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OVER-THE-COUNTER

Continued from Page 26

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CAPITAL MARKETS

Lone Eurobond for Japanese borrower in gloomy market

BY MAGGIE URRY IN LONDON

THE BLOODBATH in the Eurobond market continued yesterday. Eurodollar fixed-rate bonds were marked down by a ½ to ¾ point, although little actual selling was achieved.

The threat of a tightening of U.S. monetary policy, with the resultant fall in the New York bond market, the strength of the dollar and the overhang of mispriced paper, are all contributing to the gloom.

More optimistic bankers are beginning to talk of reaching a turning point soon, which would be followed by a scramble back into the market, but none is able to identify what could cause that.

Only one issue appeared in the dollar sector, and that from a Japanese borrower. Even these issues make slow progress now, with demand from Japanese investors — the main buyers of such bonds — drying up. But the issue, for Chubu Electric Power, was priced by Daiwa Europe as though there was still good demand.

The $80m deal has a seven-year life and comes with a 10⅝ per cent coupon and a 100½ issue price. Fees total 1⅞ per cent. The bonds were not quoted on the grey market yesterday.

Other sectors of the market were depressed as well. D-Mark bonds fell by around ½ point, with a complete absence of buyers. Sweden's recent 10-year, 7¾ per cent issue fell a further ½ point to 94⅞. The new federal Government bond has proved disappointing too.

A bond issue with equity warrants was launched by Bayerische Vereinsbank for Zenchiku, the Japanese meat wholesaler which supplies McDonalds in Japan. The DM 35m deal has a five-year life and an indicated coupon of 3⅝ per cent.

The Swiss franc bond market fared better, with prices little changed on average. Turnover was low, however. The lack of new issues yesterday helped the market, but there are a number of deals planned.

Dealers are beginning to talk of a 6 per cent coupon for the expected World Bank public issue. Higher interest rates are demonstrated by the increase in rates on the banks' medium-term cash bonds from 5 per cent to 5¼ per cent.

The Wang convertible issue started trading yesterday, closing at 100⅝.

SHP Bank bond average		
Feb 25 100.400		Previous 100.725
High 103.942	1984	Low 98.056

Indices

NEW YORK — DOW JONES

	Feb 25	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	1,270.76*	1,275	1,279.04	1,283.13	1,280.59	closed	1287.82	[illegible]	1287.82	41.22
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	closed	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	closed	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD AND POORS — N.Y.S.E. ALL COMMON — RISES AND FALLS — New York Active Stocks — TORONTO — MONTREAL — AUSTRALIA — AUSTRIA — BELGIUM — DENMARK — FRANCE — GERMANY — HONG KONG — ITALY — JAPAN — NETHERLANDS — NORWAY — SINGAPORE — SOUTH AFRICA — SPAIN — SWEDEN — SWITZERLAND — WORLD: [illegible]

** Saturday February 23: Japan Nikkei-Dow, 12,173.9, TSE 956.85.
Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. 1 Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

FINANCIAL TIMES SURVEY

NIGERIA

PART TWO : PART ONE APPEARED YESTERDAY

As Nigeria continues to reduce its import levels, traditional suppliers face new competitors, and counter-trade looks likely to increase. The key issue in 1985 is how industrialists will cope with the challenge.

Food remains a major import, despite the fall in trade.

Shift in the trade pattern

LAST YEAR will be remembered as the one in which Black Africa's largest trading economy finally began to cut its coat according to its cloth.

Imports were cut back savagely to 60 per cent of the peak level of 12bn nairas recorded in 1980-82, and are due to be more than halved again in 1985 to N3.15bn.

By PATTI WALDMEIR

The "squandering of riches" which outraged Nigerians under the ousted civilian regime was significantly reduced in 1984, both because of the strict principles of foreign exchange budgeting adopted by the military—and because a lean year on world oil markets meant there were precious few riches to squander.

The largesse of the civilians, who openly distributed import licences as a form of political patronage, was succeeded by the austerity of a military regime which came to power on a platform of moral opposition to such excesses. Buying and selling of import licences has not ceased—but the concentration of power in fewer hands has much reduced its scope and to a large extent forced it underground.

The civilian government's practice of extracting easier credit terms from unwilling exporters by delaying payments by anything up to 18 months or two years—a policy which led to serious inflation of import costs as exporters added finance charges to their prices—largely came to an end under the military. Delays on current trade payments were kept down to a manageable 30 to 40 days for much of the year.

The new regime made clear its intention to repay an inherited backlog of overdue trade debts estimated at US$7bn to US$8bn—while maintaining that many of the debts were of dubious legitimacy—and it has successfuly rescheduled the uninsured portion of the debt. Although the issue of promissory notes to cover the rescheduled debt has so far been tortuously slow, notes totalling $250m have been issued and a further $300m issue was due out on February 21. The bulk of the notes—a further $2bn—is not expected before June and bankers believe the exercise may not be completed this year.

At the same time, what could prove a fundamental shift in traditional trading patterns has begun to emerge with the conclusion in September of $1bn counter trade deal with Brazil (see separate article). Trade officials believe the deal could propel Brazil into first place as Nigeria's largest supplier, a spectacular rise in market share from the 1.5 per cent held by the country in 1983.

Big new trade deal with Brazil

While major discrepancies in trade statistics between various official sources make it difficult to gauge just how much has been accomplished, there seems little doubt that the military has presided over the return of a measure of sanity to Nigerian trade.

The rough-and-tumble of commerce which clogged Lagos thoroughfares in 1983 has been much subdued: the stalls of petty traders perched precariously on the kerbside (displaying everything from skin-lightening cream to champagne, a banned import) have largely been cleared away, and the range of goods on sale from itinerant pedlars who swarm the streets during the inevitable Lagos "go-slow" has narrowed considerably.

The Nigerian workforce has paid a high price for the return to sanity, in the form of sharply higher food prices and hundreds of thousands of job losses. But, for industry, it appears to have provided an Indian-summer of prosperity. Import shortages have allowed firms to clear inventories and the political atmosphere has been ripe for the retrenchment needed to cut costs. "For many firms it's a case of turnover down by half, profits up by two to four times," says one seasoned industry analyst.

"Nineteen Eighty-four was essentially a year of fat trimming. The question is whether there will be more to trim in 1985, or whether austerity will bring more fundamental changes," says another.

Industry looks for import substitutes

The signs of such change are already apparent. For the first time since the industrialisation bom of the 1970s and early 1980s, Nigerian firms are taking import substitution seriously. Led by the agro-allied industries of brewing, soft drinks, soaps and textiles, local firms are researching the possibility of developing a domestic resource base.

They have little choice. Dependent on imports for 70 per cent of raw materials and component needs, Nigerian industry has become a hostage to the international oil market which determines availability of foreign exchange for imports. The days of easy access to imports at prices made ridiculously cheap by the overvalued exchange rate are over—and the Government has made it clear it will not flinch from allowing those firms which cannot reduce their dependence on imports to go to the wall.

Admittedly, the import substitution drive has so far barely got off the ground—due partly to the failure of Government to clear away bureaucratic obstacles to such ventures and partly to austerity itself, which limits the availability of investment funds. The process has, however, begun.

What is clear is that any major structural adjustment of Nigerian industry away from import dependence is still several years away. In the short-term, the legacy of years of failure to adjust will be a further decrease in output—industry is already reckoned to be working at only 30 per cent of capacity—and temporary or permanent shutdowns.

The message to exporters from all this remains clear: with somewhere around 100m people, substantial if diminished oil revenues and a crippling dependence on imports, Nigeria is still the most important export market in black Africa.

Yet, what may determine the market share of major exporting countries in the next year is both the ability to provide tied finance—and, increasingly, the willingness to import Nigerian oil to counterbalance export transactions.

Offshore financial arrangements

A number of companies were forced to arrange their own offshore finance through their overseas suppliers in 1984 or face shutting down for lack of imports—a situation which is likely to worsen in 1985. Peugeot, which arranged a US$200m credit from its house banks in France in 1983 to avoid a shutdown of its Kaduna assembly plant repeated the exercise last year, while SCOA (a major French trading house), and Guinness Nigeria also did similar deals with their overseas affiliates.

Moch more significant are the number of counter-trade deals concloded in 1984 or under discussion for this year. Brazil's agreement to purchase some 40,000 barrels per day of Nigerian oil in exchange for US$500m in raw materials, spares and equipment has been the most widely publicised, but a number of other companies are believed to have been asked

CONTINUED ON NEXT PAGE

IN THIS SURVEY

- **IN PART ONE:** The first part of this survey, which appeared yesterday, examined major developments in the political scene: as well as the economy and industrial and construction sectors. There was also a business guide with key information for overseas visitors to Nigeria.
- This 28-page survey was written by a team of FT correspondents who travelled extensively in Nigeria: Michael Holman, Africa Editor; with Patti Waldmeir, Andrew Gowers, Tony Hawkins and Peter Blackburn. The business guide sections were compiled by Elizabeth Meek. Picture research was by Non Morgan with photographs by Ashley Ashwood.

Trading becomes easier as red tape is reduced

Military Government wins high marks from importers

AFTER SIX years of striking dread into the hearts of those who trade with Nigeria, the notorious "Form M" could soon become just another essential document.

Introduced in 1979, the Form M is officially described as an application to purchase foreign exchange for imports. Without an approved Form M, it is impossible legally to import goods into Nigeria.

By the end of the civilian regime, there can hardly have been a document in Nigeria which caused so much anxiety. Major companies employed staff who did nothing but chase Form M applications at either the Central Bank or the commercial bank through which the application was channelled.

The incidence of delays and loss of the forms by the Central Bank was so high that importers logged four or five applications for the same transaction in the hopes that one would eventually penetrate the bureaucracy.

One of the first things the military did after taking power on New Year's Eve, 1983, was to implement a plan of the Shagari regime to decentralise foreign exchange allocations, taking the drudgery out of the process by authorising commercial and merchant banks to open Forms M on the Central Bank's behalf.

Banks were given monthly allocations of foreign exchange by sector, and were allowed to open Forms M for their customers up to the pre-set ceilings.

The move earned the new government high marks from importers, who cite the measure as a major factor in streamlining 1984 import procedures.

While stressing that improvements were relative—trading with Nigeria still requires a formidable degree of patience, persistence and slavish attention to detail—importers point to two other measures which made trading much easier last year:

- Abolition of the compulsory advance deposit scheme which required buyers prior to importation to make an interest-free deposit with Central Bank varying from 10 per cent for raw materials to 250 per cent for luxury goods.

The benefits of the change have proved to be shortlived, however, as a system of advance payment of import duties (which are generally lower than the fixed advance deposits) has been re-introduced for 1985.

- Most importantly, the reduction in delays on current trade payments which reached six months or more in 1983. Steps were taken to reschedule debts incurred through the end of 1983 and delays on current trade payments in 1984 were brought down to a manageable 30-40 days (although this timetable slipped occasionally). This enabled overseas banks to keep confirming lines rolling over smoothly throughout most of the year.

New import procedures

PATTI WALDMEIR

Importers were understandably concerned when Major-General Buhari announced in his New Year's Day budget speech that the banks' foreign exchange allocations had been withdrawn, raising fears that long delays in Form M approval would again become the norm.

Subsequent instructions from Central Bank seem to indicate that these fears are unfounded. Banks have been authorised to open Forms M almost automatically on presentation of a valid import licence.

The new system assumes that the Ministry of Commerce will observe sound principles of foreign exchange management and issue only as many licences as there is foreign exchange to pay for them. Further verification of cover thus becomes unnecessary, making the Form M — at least, in theory — just a formality.

Anomaly

The Central Bank will be keeping close tabs on the volume of Forms M issued by banks, to spot any over-allocation of licences by the ministry which would leave the Bank with more claims for foreign exchange than it could meet. The system could be short-lived.

If it lasts, it will remove an anomaly in the 1984 procedure whereby banks were often unable to match their foreign exchange allocations to confirming lines abroad.

Established banks were given large allocations which they were unable to find confirming lines to cover, while newer banks with access to large confirming lines from overseas partners eager to break into the Nigerian market found their allocations too low.

Despite the improvement listed above, trading with Nigeria remains a formidable challenge. The following hints from seasoned traders are worth keeping in mind:

- Complete all forms with scrupulous accuracy as even a trivial mistake like a spelling error can cause documents to be rejected or delayed.
- Keep multiple photocopies of every one of the scores of required documents, (but do not expect a copy to be accepted in place of a lost original).
- Choose your bank carefully. Some are much more efficient at processing Forms M, forwarding them to the correct inspection agency and opening letters of credit, than others. Keep in mind that some of the newer merchant banks have access to fairly high confirming lines overseas.
- Plan ahead, remembering that the average delay from issue of import licence to shipment of goods is three to four months.
- Follow all regulations to the letter, no matter how trivial or illogical they may seem. Above all, keep your calm—and sense of humour—about you. They are essential for trading with Nigeria.

A shift in the trade pattern

CONTINUED FROM PREVIOUS PAGE

to submit counter-trade proposals to cover imports of items such as vehicle assembly kits, and 1985 could see the conclusion of several more such deals.

The advantage to Nigeria is that counter-trade deals guarantee virtually automatic access to trade finance—at a time when Western export credit agencies have suspended medium term cover for Nigeria and are rolling over short term cover at fairly low levels, and when banks are still reticent about providing confirming lines to Nigeria.

The disadvantage is that such deals can prove costly, as they reduce competition among exporters by guaranteeing suppliers a set share of the market without offering importers the opportunity to negotiate directly with suppliers over quality and especially price. And, there are doubts that the deals under discussion actually bring Nigeria new customers for its oil—in several cases existing exports would simply be diverted to counter-trade arrangements which many oil officials worry could mask discounts on the official price of Nigerian crude.

Market share

For Nigeria's traditional suppliers—Britain, France, the U.S., West Germany and Japan—such deals pose a serious threat to a market which for many is their most important in Black Africa.

The Brazilian arrangement, set initially at $500m but likely to be increased before year-end, could boost Brazil's exports from $195m in 1983 to around $1bn this year, making it Nigeria's largest supplier.

Among Nigeria's traditional suppliers, France alone increased its exports in 1984, to FFr 8bn from FFr 7bn the previous year, largely due to the sale late in the year of four Airbus aircraft to Nigeria Airways. French companies are believed to be among those considering counter-trade arrangements for 1985.

Britain's exports stagnated at £768m down slightly from the £800m total achieved in 1983. West Germany fared worse with exports falling 44 per cent in the first nine months of 1984 over the same period of 1983, under the continued influence of a drop in capital goods imports and the apparent reluctance of German banks to provide confirming lines to Nigerian banks.

There is little doubt that the military's determination that Nigeria must live within its means leaves only limited room for manoeuvre in 1985. The 1985 budget assumes food imports of a mere N375m — one third of 1984 levels and less than a fifth of peak 1981 imports of N2.2bn. If adhered to, this budget will cause a severe shortage of imported Western foods like bread and rice on which potentially restive urban populations have come to depend.

And to live within the N1.9bn budget for capital goods and raw materials imports—slashed from U4.2bn in 1984 — will almost certainly require widespread factory shutdowns and many thousands more job losses which could strain the patience of a workforce for whom frugality has already meant severe hardship.

It is a risk, however, which the military government believes is worth taking as the price for securing economic balance.

The bread boom brings unprecedented growth

LOOKING ACROSS Lagos harbour from the Marina towards the port of Apapa, the eye is caught by a line of huge wheat and cement silos glinting in the sun.

They are part of a sprawling complex owned by Flour Mills of Nigeria. When the present extensions raising grinding capacity by 45 per cent to 3,200 tonnes of wheat a day is completed it will become the world's largest.

Flour-milling industry

PETER BLACKBURN

Flour Mills is the leading member of the Golden Penney group consisting of the Northern Nigeria Flour Mills, Kano, Maiduguri Flour Mills and Niger Mills, Calabar which together account for nearly two-thirds of the country's flour milling capacity.

Flour Mills' tremendous growth since it first started production in 1962 has accompanied a profound change in Nigerian eating habits.

Bread, practically unheard of except among the elite at independence in 1960, has now become part of the staple diet. Rapid urbanisation has encouraged bread consumpton especially in large cities such as Lagos, Ibadan and Kano.

"Bread is so much more convenient than gari or yams and cheaper than rice," a Nigerian businessman pointed out.

"Can you imagine pounding yams in a 9th storey flat?" another asked.

Lagos office commuters buy bread from small boys laden with trays of polythene-wrapped white loaves patrolling traffic bottlenecks.

Bread is both nutritious and still fairly cheap although President Buhari recently criticised "heartless hoarders" for pushing up flour prices.

The Golden Penney group is trying to depress high black market prices by selling 85 per cent of its production directly to bakers and thus avoiding unscrupulous middlemen. Tha remaining 15 per cent is sold directly to large flour dealers.

The political importance attached to bread is reflected by the high priority accorded the country's ten flour mills in tha initial allocation of 1985 import licenses.

The mills' first quarter allocation of some N160m should enable them to operate at about 80 per cent capacity, according to analysts.

Last year Nigeria imported 1.7m tonnes of wheat at a cost of some $250m. The International Wheat Council estimates 1985 wheat requirements at 1.8m tonnes which at current prices would cost nearly $300m.

About 95 per cent of Nigeria's wheat imports come from the U.S. which help to reduce a massive bilateral trade deficit due to heavy American imports of Nigerian oil.

Efforts are being made to grow wheat locally in tha Bakalori Basin Sokoto, Tiga Dam Basin Kano and the Chad Basin Maiduguri.

Some 40,000 tonnes of wheat is now grown locally though this is mainly of soft varieties and unsuitable for breadmaking.

Because of the unsuitable climata the schemes require extensive irrigation and are extremely expensive. "The same capital investment would yield more rice and maize, an agricultural expert pointed out.

Flour mills of Nigeria plans to grow its own maize which is used for producing Semovita (semolina). It has taken a long-term lease on 50,000 hectares and intends to grow up to 100,000 tonnes of maize annually during the first phase of its programme.

Semovite is the local brand name for semolina and is produced along with macaroni, spaghetti and soft flour for biscuits at the Apapa mill.

Northern Nigeria Flour Mills recently commissioned a 250 tonne a day maize mill at Kano.

Experiments are also being conducted to partly substitute yam for wheat flour in bread making so as to help reduce imports.

With flour consumption rising by an estimated 10 per cent annually as a result of the twin impulse of population and urban growth there are plans to increase the country's flour milling capacity by 50 per cent to 3m t/yr.

Five schemes to extend or build new mills are either planned or under construction, according to industry sources.

The largest extension is that of Flour Mills of Nigeria. It is now 60 per cent complete but the importation of the remaining machinery depends on Government approval of import licenses.

President Buhari recently laid the foundation stone of a N63m flour and feed mill near Uromi, in Bandel State. The complex will have a 200 tonne-a-day flour mill and a 240 t/d feed mill and two storage silos with a combined capacity of 30,000 tonnes. It is being built by an Austro-German consortium and is nearly 90 per cent offshore financed.

Flour milling capacity

*1 Flour Mills of Nigeria. Apapa. Capacity 2,200 tonnes/day of wheat
*2 Northern Nigeria Flour Mills. Kano. 1,400 t/d
*3 Maiduguri Flour Mills. Maiduguri. N/a
*4 Niger Mills Limited. Calabar. 680 t/d
5 Life Flour Mills Ltd. Sapele. 1.200 t/d
6 Ideal Flour Mills Ltd. Kaduna. 300 t/d
7 Nigerian Eagle Flour Mill. Ibadan. 200 t/d
8 Port Harcourt Flour Mills. P.H. 600 t/d
9 Crown Flour Mills Ltd. Apapa. 350 t/d
10 Sunrise Flour Mills Ltd. Enugu. N/a

* The Golden Penny Group.

Observers point out that the flour milling industry directly employs nearly 9,000 people and that Flour Mills of Nigeria is the second largest private sector employer after — tha trading and manufacturing company VAC, part-owned by Unilever.

In addition, the flour mills provida indirect employment for about 100,000 bakers, biscuit-makers, packers and transporters. However, some experts question whether it is prudent for the Government to encourage the continued expansion of the heavily import-dependent flour-milling industry when the acute foreign exchange shortage is likely to persist for several more years.

A new counter-trade deal could catapult Brazil into first place as the largest exporter to Nigeria, displacing Britain, as Patti Waldmeir reports here.

$1bn trading deal with Brazil

IN THE Brazilian coastal city of Salvador, elderly residents still surprise African visitors by speaking Yoruba, the language spoken by the first slaves to arrive in the country from West Africa.

Back on the continent's West Coast the descendents of these slaves—the Da Silva's and Da Fonseca's of Nigeria—still hold prominent positions in the West African elite.

Up until the mid-19th century *trade flourished between Brazil* and tha ancient kingdoms of Yorubaland (in present-day Nigeria) and Dahomey (now Benin) through tha intermediary of European traders who sold slaves to work Brazil's coffee and cocoa plantations in exchange for Brazilian gold.

Over a century later Brazil is poised to resume its place as one of Nigeria's most important trading partners following tha conclusion of a $1bn counter-trade deal publicly hailed by both sides as an example of enlightened South-South co-operation.

Trade officials say the deal could catapult Brazil into first place as the largest exporter to Nigeria, displacing Britain, the former colonial power which has been Nigeria's preferred partner since independence.

Britain's exports to Nigeria fell to £768m in 1984 from a peak of £1.4bn in 1981. Brazil's exports slumped as well, falling to $195m in 1983 from $770m in 1981, but they began to recover early last year, reaching $470m for the first nine months alone, and officials believe 1985 exports could reach $1bn.

Much will depend on the success of the counter-trade deal, under which Nigeria will supply about 40,000 barrels of crude oil per day to Brazil over the 12 months to September 1985 in return for $500m worth of urgently needed raw *materials, spares* and manufactured goods from Brazil.

Both sides are quick to point out that this is not a classic barter deal, as cash payments are made through an escrow account set up for this purpose by agent bank United Bank for Africa in New York. The account is cleared monthly.

Oil supplies

The arrangement involves independent contracts between the Nigerian National Petroleum Corporation (NNPC) and Petrobras, the Brazilian state oil company, and between the Nigerian Government and Cotia Comercio Exportacao e Importacao, the largest private trading company in Brazil.

Tha oil supply contract builds on an existing arrangement between the two companies under which Petrobras uses its spare refinery capacity to process about 50,000 b/d of Nigerian crude for re-export to Nigeria as fuel products. Under tha new arrangement, NNPC will supply Petrobras with a further 40,000 b/d for its own needs, with no arrangement for the re-export of products.

Prof Tam David-West, Nigeria's Oil Minister, has said the oil is included in tha country's Opec qnota.

The separate Cotia-Nigerian Government agreement covers supplies of the following items: sugar, salt, raw cotton, steel products, chemicals (including synthetic fibres), paper, agricultural equipment, spares (including completely knocked down (CKD) vehicle assembly kits from Volkswagen Brazil), soyabeans, iron ore, tyres, building materials, refractory bricks, ferrol alloys and non-ferrous metals. Cotia officials stress that other items can be included after negotiations.

Top officials of Nigeria'a Ministry of Finance are believed to have opposed granting Cotia a monopoly over a volume of trade which represents 13 per cent of the country's total 1985 vehicle imports budget of N 3.15bn. They argued that Cotia would have little incentive to ensure that prices were competitive. NNPC officials also opposed it, fearing that the provisions of the deal could mask hidden discounts on the crude price.

Indications are that the limited volume of goods which has come in so far has been competitivey priced, and there appears to be demand among importers for the special import licences issued under the agreement because letters of credit for such transactions are confirmed virtually automatically. This saves weeks of delays in arranging confirming lines overseas.

Precedent

However, many Nigerians feel that the issuing of such licences—which specify that the goods must be purchased from Brazil at a price agreed between the Government and Cotia and not subject to negotiation by the importer—could be a dangerous precedent.

Importers who are not satisfied with the quality or price of the goods have no choice but to leave the licence unntilised, scarcely an option for most import-starved companies.

But Brazilian and Nigerian officials argue that the deal is a natural response to the serious liquidity problems of the two sides—Cotia calls them "partners in trouble"—and chances appear good that the flow of goods under the agreement could total closer to $700m than the $500m originally envisaged.

The new pre-shipment monitoring system

Rush to clear backlog

Inspection of imports

PATTI WALDMEIR

A CLUSTER of portakabins and a converted canteen at Witham, Essex, the temporary headquarters of Cotecna International, has become the nerve centre of an operation to monitor British exports to Nigeria which totalled over £750m in 1984.

Cotecna International is one of a handful of international inspection companies which learned somewhat to their surprise last September that they had landed lucrative contracts to police worldwide exports to Nigeria in place of SGS, formerly the country's sole inspection agents.

The abrupt dismissal of the Geneva-based Societe Generale de Surveillance, the world's largest trade inspection group, added an unwelcome twist to the already tortuous business of exporting to Nigeria.

For tha first six weeks after SGS was sent packing—apparently because it fell foul of internal Nigerian politics—confusion reigned supreme.

Ad boc inspection arrangements were set up and then cancelled overnigbt, leaving a vacuum into which few exporters were willing to step. Many suspended shipments altogether until the dust began to settle towards year-end.

For the six years up to tha September 30 dismissal, SGS had exercised a monopoly over pre-shipment inspection of the quantity, quality and price of virtually every export to Nigeria—an immensely powerful role to play in a country where vast fortunes are amassed through trading.

While there can be little doubt that SGS protected Nigeria from many an over-invoicing swindle, especially in the boom days of the early 1980s when imports reached N12bn per year, SGS' monopoly role was still the subject of frequent public criticism.

Judicious leaks of Central Bank figures showing, for example, that the company saved Nigeria foreign exchange worth N409.7m in 1982 alone helped to diffuse these periodic crises.

When the military took power on New Year's Day last year the attitude towards SGS appeared to harden. Although there has so far been no public explanation of tha dismissal, it is believed that tha decision to sack SGS came from the Supreme Military Council in the face of opposition from senior civil servants.

Three consortia were appointed to take over from SGS:

- Cotecna International was appointed to cover Britain, Ireland and Asia. A new company, it was set up by three existing inspection firms, Swiss-based Cotecna Inspection SA, Daniel C. Griffith of the UK and Overseas Merchandise Inspection (OMIC) of Japan.
- Bureau Veritas was given responsibility for Continental Europe and Africa. Bureau Veritas sub-contracts inspection of food imports to Thionvilla of the U.S.
- The Americans are covered by Swede Control/Intertek.

Whila the new companies were gearing up to take over (their contracts were not signed until October 31), exporters were instructed to ship goods to Lagos for inspection on arrival by a government Destination Task Force. *However*, few risked doing so, fearing that that team might force unrealistic price cuts on arrival, or that its inspection certificata might not be honoured for payment by the Central Bank.

Closures

By mid-November it looked increasingly unlikely that exporters could get goods inspected by the new companies—none of wbom had ever handled a national pre-shipment inspection contract of comparable size and range—and shipped before import licences, Forms M and letters of credit expired at the end of December. A number of Nigerian companies announced that they had had to shut down because of import shortages caused by the disruption but the Central Bank stepped in to ease pressure by extending the validity of import documents to allow shipment up until the end of February. There has since been a subsequent extension until the end of April.

Since that time the new companies have been struggling to clear the backlog of inspections which built up during the handover period, with Cotecna estimating that its current volume of work is three times the norm.

While exporters continue to tell isolated horror stories of missed deadlines and phones which ring unanswered for hours at makeshift inspection offices, the general impression is that the new companies are coping as well as can be expected in view of the short lead-time granted them.

Exporters complain of serious delays in arranging inspections of missed deadlines and telephones which ring unanswered for hours at makeshift inspection headquarters. But the general impression is that the companies could hardly be expected to do much better in view of the short-term lead time granted them.

Give us the chance to sell our oil: Opec's pricing structure and production quotas will be a trial again this year for Nigeria

Oil: little room for manoeuvre available

AS WINTER recedes and spring approaches, Nigeria's vital oil industry is once again perched on a knife edge.

With a deepening hunger for foreign exchange, and at least nominal commitment to Opec (the Organisation of Petroleum Exporting Countries) and, above all, a need to keep its oil competitive with comparable crudes from the North Sea, the country has very little room for manoeuvre.

By ANDREW GOWERS

January's Opec pact, in which Nigeria agreed to raise the price of its premium Bonny light crude back into line with the Opec structure at $28.65 a barrel, has succeeded in reintroducing a measure of stability into the volatile world market.

But that calm could be deceptive. No one in the industry is in any doubt that the cracks papered over in January could reopen at any time. And many observers are sceptical that Nigeria, ever regarded as Opec's weak link, can sustain the level of sales that it so desperately needs at the new price.

Whatever Nigeria's qualms about the next few months in the oil market, though, it can look back on 1984 with a fair degree of satisfaction. For it was the year in which Nigeria had its cake within Opec and ate it outside.

The country emerged into 1985 with a permanently increased production quota and virtual—if uneasy—acceptance of its right to cut oil prices to match those of North Sea crude, even if that means stepping outside the official structure.

Firm style

That it achieved both while remaining within the fold is in large part a tribute to the new firm style of the military Government.

From his very first days in office, Major-Gen Muhammadu Buhari, the bead of state and, as a former Oil Minister, a man with considerable experience of the sector, has re-affirmed his commitment to the Organisation, while doggedly pursuing a claim to be allowed to produce more than Nigeria's quota of 1.3m barrels per day (bpd).

The importance of that claim can scarcely be underestimated. Oil still accounts for up to 97 per cent of Nigeria's foreign exchange earnings and at least two-thirds of Government revenue. But production has plummeted from its 1979 peak of 2.4m bpd, and the price has tumbled from $40 a barrel to its current level of $28.65.

In 1983, Nigeria even bed trouble meeting its full quota. Production in that year, averaging just over 1.2m bpd, was at its lowest level since the oil boom began. With oil earnings down to around $10bn from their 1980 height of $22bn, the resulting squeeze on the economy was nothing short of catastrophic.

With this in mind, and with an eye to the main chance of a marginally firmer world market, Gen Buhari's Government quietly began stepping-up production early last year. Outpot rose to e peak of 1.57m bpd in March, its highest level since the previous July.

Neturally enough, this development did not escape tha ettention of Opec, which was still struggling to maintain a fragile stability following the upheavals of 1983.

In February last year, Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, paid a surprise visit to Lagos—the new Government's first ministerial visitor. His mission was apparently two-fold: to persuade Nigeria to rein in its production in the interests of Opec, and, in return, to lend public support to Nigeria's demand for a larger output quota.

In due course, and with the customary softening of the oil market in spring, Nigeria fell in line. In May, production fell as low as 1.19m bpd.

It was time for Prof Tam David-West, Nigeria's colourful Oil Minister, to make his big play for an increase in quota. And, at a Vienna ministerial meeting in July, to the astonishment of many in the industry, this is precisely what he got—albeit a smaller rise than he was seeking.

Exceptionally, the meeting agreed, Nigeria was to be allowed to produce 1.4m bpd in August and 1.45m in September.

But there was a sting in the tail of this concession. When Nigeria cut back production in the spring, other producers, including Saudi Arabia with its notorious Boeings-for-oil barter deal, moved in to fill the gap.

As a result, the oil market was weaker than usual in the summer months, and ironically, Nigeria was unabla to sell even as much as its previous 1.3m bpd quota in August.

"We were outfoxed," says an official of the Nigerian National Petroleum Corporation (NNPC).

If so, it was no more than a temporary setback. For Prof David-West knew full well that once Opec had conceded the principle of an increased quota for Nigeria, it would find it virtually impossible to turn the clock back.

Immediately after the Vienna meeting, he began claiming that the ceiling of 1.45m bpd was not just a one-month wonder but a permanent arrangement. His Opec colleagues have apparently since been forced to agree.

Factors

However, there is no denying that the subsequent rise in Nigerian production was one of the factors behind Opec'a next crisis.

As autumn enveloped the northern hemisphere, spot market prices of the lighter crudes, such as the North Sea's Brent and Nigerie's Bonny light, softened further—partly reflecting tha long-term shift of demand into cheaper heavier varieties.

The crunch came in the third week of October, when Norway's Statoil and the British National Oil Corporation cut their official prices between $1.35 and $1.50 a barrel to bring them closer to the spot market.

Nigeria was immedietely faced with the disastrous prospect of losing customers to the North Sea, just as it had been 20 months previously when Britain proposed cutting its price by $3 a barrel to $30.50. Its reaction in both cases was tha same: to reduce the price of Bonny light unilaterally, without reference to Opec, undercutting the North Sea.

New oil prices

Nigeria'e new oil prices (with effect from February 1, in U.S.$ per barrel) are as follows:

	Degrees API	Alone	In special package
Bonny light	37	28.65	28.65
Brass blend	43	28.65	28.65
Qua-Iboe	37	28.45	28.60
Escravos	36	28.35	28.50
Pennington	36	28.35	28.50
Forcados	31	28.05	27.90
Bonny medium	26	27.60	27.30

Many observers were surprised and impressed by the speed and decisiveness with which the Government acted this time. The decision to cut by a full $3 made by the top military men apparently against the more cautious advice of Prof David-West and his officials, was designed as a challenge to Britain, and in a sense to Opec—and as such, it appears to have paid off, at least for the moment.

The country's oil industry is again perched on a knife edge, with an urgent need to produce constrained by price conditions in the world market

Opec agreed in January on e deal to narrow the destabilising differential between light and heavy crudes, dropping the average price level by around 29 cents. Nigeria, in turn, agreed to raise its price in line with Britain's Brent cruda to $28.65; Britain held back from cutting its price or changing its pricing system; and the spot market has since reacted by firming up to an extent.

Gen Buhari is still insisting that he will match Britain "cent for cent" should BNOC cut again. For his part, Prof David-West has coined a catchy slogan—"I have my two legs in Opec end my two eyes on the North Sea"—which he trots out regularly at Opec meetings and in talks with British officials.

Attractive as it is, this statement begs one crucially important question: what do the Nigeriens mean by North Sea prices? Although the official price which BNOC pays to North Sea producers is $28.65, it actually sells most of its oil on the spot market for considerably less. (The Jaouary average was around $27.)

Nigeria, which according to oil industry officials theoretically needs to set prices lower than the North Sea to take account of the cost of shipping oil to its predominantly European customers, clearly cannot hope to competa with the spot merket except by offering discounts.

The country is already offering a small disguised discount to try to encourage buyers to take more light oil. Under a new pricing formula published this month, customers can obtain an overall price reduction of 10-15 cents if they agree to take a special package of crudes.

In fact, the oil companies operating joint ventures in Nigerie with state-owned NNPC—including Shell, Gulf, Mobil, Elf and Agip—can sell their oil at spot prices if they wish, particularly since the Nigerians made their marketing arrangements more flexible last year.

Until recently, foreign joint venture partners could only lift their equity oil—40 per cent in the case of most companies, 20 per cent for Shell, the largest—if NPCC also sold its share. If NNPC's sales at the official price stagnated, so did the oil companies'.

But under participation agreements signed with most of the companies last year, they are allowed to lift their share even if NNPC does not take its own.

In addition, with NNPC's permission, they can also sell some of its share, while reimbursing the Corporation for production costs.

While this arrangement should allow Nigeria to sell a bit more oil, executives insist that it will make no difference in practice to prices. Under the Nigerian tax system, companies are allowed a fixed profit of $2 a barrel on sales at the official price.

If they sell their oil for much less, they will be doing so et a loss.

Unanimous

So should the market soften again, as it is almost unanimously expected to do with the arrival of warmer weether in Europe and the U.S., the same vicious circle as unfolded in 1984 could start all over again.

Nigeria simply cannot live with a substantial reduction in oil revenues. The import squeeze last year was bad enough, although oil revenues actually recovered to around $12bn.

If the Nigerians find they cannot sell enough crude at the latest price, or if BNOC goes over to e market-related pricing system, they would almost certainly have to cut their prices again.

And if this happens, they may be forced to prodnce more—with or without the permission of Opec. This yeer's budget is believed to be based, with deliberata caution, on production of 1.3m barrels a day at $27.50 a barrel, which does not leave the country much elbow-room.

Stepping-up production again is not as simple as it sounds. Some oil companies in Nigeria heve begun to express concern that the country's technical production capacity is declining becausa of cutbecks in Government spending on maintenance and development.

Total capacity ia now estimated at 1.8m b/d, though it could probably be brought above 2m b/d again within six to eight weeks.

But in eny case, whether Opec, faced with e continuing market crisis, will prove es accommodating to Nigeria this year as it was in 1984, is an open question.

Oil industry production: '000 barrels a day

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
January	1,985	1,989	2,197	1,638	2,441	2,157	2,092	1,754	833	1,351
February	1,796	2,070	2,196	1,566	2,428	2,148	1,943	1,400	673	1,546
March	1,713	1,998	2,255	1,521	2,486	2,156	1,868	938	910	1,566
April	1,621	2,064	2,258	1,693	2,416	2,189	1,623	900	1,168	1,359
May	1,545	2,069	2,210	1,720	2,398	2,141	1,293	1,308	1,622	1,190
June	1,608	2,095	2,236	1,893	2,405	2,195	1,352	1,649	1,526	1,279
July	1,636	2,048	2,065	1,913	2,381	2,108	771	1,259	1,711	1,127
August	1,755	1,937	2,020	2,060	2,185	2,049	707	1,106	1,291	1,142
September	1,917	2,047	2,027	2,109	2,116	1,577	1,061	1,165	1,214	1,420
October	1,909	2,112	1,950	2,114	2,135	1,901	1,250	1,489	1,290	1,445
November	1,954	2,185	1,918	2,276	2,151	2,062	1,582	1,385	1,300	1,533
December	1,980	2,190	1,852	2,384	2,151	2,918	1,786	1,283	1,300	1,737
Year	1,785	2,067	2,098	1,909	2,303	2,058	1,440	1,294	1,237	

Source: Financial Times estimates.

Andrew Gowers and Patti Waldmeir talk to the Oil Minister, Prof Tam David-West

Oil 'the heart of Nigeria'

"IN NIGERIA, oil is the only thing we have," says Prof Tam David-West, the country's Oil Minister. "Oil is like the heart of the nation . . . it has to pump all the time."

Q. Is Nigeria satisfied with the January OPEC agreement on oil price differentials, and is the accord durable?

A. We are not unsatisfied. Whether it will be durable or not time will prove. But we think it will be durable. We believe . . . that our four colleagues (the countries which did not accept the agreement, Iran, Libya, Algeria and Gabon) will see reason to join the majority decision.

It has been suggested by all of us that we should set up a body to review the whole philosophy of OPEC pricing. OPEC will then formally address itself to the demise of the marker crude.

Q. You have said repeatedly that it is crucial for Nigeria to remain competitive with the North Sea. By accepting a price of $28.65 per barrel for Bonny light, have you not actually lost some competitive edge over the North Sea?

A. What you have said is true. And I also had some occasion during this last trip to talk to some of my British colleagues. I made it clear to them as I also made it clear to my colleagues in OPEC that I have my two legs in OPEC but my two eyes are cocked on the North Sea, and I mean every word of that.

When we changed our price (to $28 in October) one has to accept that we acted out of step with OPEC, but they are very willing to understand the circumstances that dictated our action. We have been vindicated by time.

When Britain took Brent crude to $28.65, I had three options: either not to do anything, which would have been disastrous for the economy; or to tune it one-to-one with Brent, which would have increased the pressure on Brent and caused Britain to cut again; or to go down below Brent.

This has its own economic and political import. Our action was not to take customers from Britain but to keep what we had and to make it attractive for them to stay. It is a dynamic situation and I will review it as time dictates.

In short, I will match Brent, cent by cent.

Q. Would you not undercut Brent again?

A. I don't know. Time will dictate. It depends on how they do it and I think it is in the interests of Britain and of Nigeria, OPEC and the entire global oil market for us to keep it stable. The trouble in Britain is an organisational problem, and they know it. They have sort of built a Frankenstein monster (the British National Oil Corp) which is haunting them.

Q. Has OPEC accepted that Nigeria's quota is now 1.45m barrels ad day?

A. Yes.

Q. Authoritative reports indicate that Nigeria's production in December was considerably more than 1.45m.

A. I will not say 'yes' and I will not say 'no.' We believe that as long as the current difficult economic situation exists, it is difficult for us to produce less. It would be economically suicidal.

If you . . . analyse how much we've been able to put into the market since we had the increase, it will come to the 1.45m.

Sometimes we produced less than 1.2m. Then on one or two occasions we've shot up to over 1.5m. We are quite within a limit of responsibility.

Q. If prices soften in the spring, would Nigeria have no option but to boost production in order to maintain budgetted revenue?

A. That strategy will come, and when it comes I'll examine it. In Nigeria, oil is the only thing that we have. Oil is like the heart of Nigeria, and there is no pacemaker for it. It has to pump all the time.

Q. Nigeria's planned Liquefied Natural Gas (LNG) project has been delayed numerous times. If there are more delays, are you not in danger of missing the so-called "window of demand" in the 1990s which the project seeks to target?

A. First, America was the target, then Europe. We had a very robust market. They delayed for one reason or the other until the robustness of the market shrunk to a door, now it's shrunk to a window.

We still believe that the window is large enough to accommodate us and since it's a captive market the earlier we capture that window the better. I do not think we will delay much longer.

All things being equal, I think we should be onstream in the 1990s. It's guarded optimism, yes, there's no doubt about that. But we still believe we have some chance.

The fact that some big international consortia are still interested in participating with us means that they also think all is not lost.

Q. Do you have a pricing policy to encourage more use of natural gas within Nigeria?

A. There is a committee finishing up its work to re-examine our philosophy on the pricing of the whole range of petroleum and gas products. That will report in the next few weeks. They are coming out with a structure that I think will be more realistic.

Left: Prof. Tam David-West: "It would be economically suicidal for us to produce less oil." Right: Rig near Port Harcourt. It is generally agreed that a new refinery is a sensible investment to cut imports of oil products, but other governments have yet to grant the loans.

Plans to proceed in the balance

Oil refinery plans

ANDREW GOWERS

NIGERIA'S plans for a fourth oil refinery, considered essential to reduce the country's dependence on imported petroleum products, are in the balance as the French and Japanese Governments ponder whether to proceed with loans for the project.

The refinery, to be situated at Alesa-Eleme near Port Harcourt and expected to cost nearly $500m, would have a total capacity of 150,000 barrels of Bonny Light crude per day, would thus almost double the country's total refining capacity.

By any yardstick, the refinery ought to be a sensible investment. Although domestic sales of petroleum products are currently depressed by the economic slump, and by the dramatic drop in smuggling caused by the closure of Nigeria's land borders, it was rising until 1981 at the alarming rate of more than 18 per cent a year.

Total domestic consumption is now estimated at around 180,000 bpd.

Although the theoretical capacity of the country's three existing refineries at Warri, Kaduna and Port Harcourt is 260,000 bpd, their actual output is closer to 158,000 bpd, largely owing to technical problems.

In its study of the Nigerian energy sector two years ago, the World Bank concluded that there could be a gap of 8m tonnes between domestic production and consumption of refined products in 1990, rising to 14m by 1995.

To make up the deficit at present, Nigeria goes to the costly lengths of farming out the processing of 50,000 barrels a day to Brazil's Petrobas. Although official figures are not available, the Bank estimates the net cost of offshore processing at $6 a barrel of imported product.

Everyone, from Maj-Gen Buhari downwards, agrees that building a new oil refinery within the country is a much more logical alternative.

In his 1985 budget speech, the head of state said when completed in 1987, the Port Harcourt refinery would lead to a net foreign exchange saving of N100m a year, and that on the basis of current consumption levels it would "enable our country, for the first time in its history, to eliminate the need to import finished petroleum products."

Gen Buhari's timetable may have been a little optimistic. Letters of intent for the project were issued to a Franco-Japanese consortium led by Japan Gasoline Corporation (in charge of the process technology) and Spie Batingnolles (for the civil works) last October and commercial contracts were signed in mid-February.

But the deal, which is supposed to be largely financed by export credits from France's Coface and Japan's Ministry of International Trade and Industry, appears to hav run aground on the reluctance of all Western governments to undertake new commitments to Nigeria while the country refuses to accept loan terms offered by the International Monetary Fund.

"They are clearly very hesitant about going ahead," said one diplomat following the negotiations between the three sides. Both France and Japan, which are working closely together, are said to agree that to break ranks on this issue would threaten the entire united Western front on economic relations with Nigeria.

The French are, however, believed to be looking for ways around the problem. One possibility said to be under consideration is to transfer loan commitments they made to the recently-cancelled Lagos metro project to the refinery.

Spibat, meanwhile, appears unperturbed.

"We are somehow confident a solution will be found," says one executive. "It's in the interests of the Nigerian Government and in the interests of France and Japan."

Existing oil refineries

	Operating capacity b/d	Technical capacity b/d
Port Harcourt	49,857	60,000
Warri	83,000	100,000
Kaduna	43,000	100,000

Refineries' output

Maximum production of refined products from existing facilities and planned output of fourth refinery (tonnes/year):

	Existing	Fourth refinery
Liquefied petrlm. gas	280,000	123,000
Gasoline ...	2,830,000	2,780,000
Kerosene ...	1,550,000	930,000
Diesel	2,960,000	820,000
Fuel oil ...	1,430,000	2,350,000
Total	9,040,000	7,003,000

Source: World Bank and NNPC.

Nation's richest resource still largely untapped

THROUGHOUT Nigeria's steaming south, pillars of flame reach up from the jungle, scorching the earth and withering the trees around them like napalm.

The flares are the most visible sign of the country's richest natural resource—a huge and still largely untapped reservoir of natural gas.

Natural gas industry

ANDREW GOWERS

Nigeria has 85 trillion (million million) cubic feet of proven gas reserves, most of them concentrated in the oil-rich Niger delta. And that could be just the tip of the iceberg.

"We have never really looked for gas," said one oil executive. "If gas really became big business here and companies started exploring for it, I am convinced that much more would be found.

It is estimated that proven and possible reserves of gas, when measured in terms of oil equivalent, could be 30 to 40 per cent larger than those of oil.

But gas is not big business for Nigeria at present. Only a minute proportion of these riches is being put to any useful purpose, and an array of projects to harness gas for export or for increased industrial use at home are either stalled or making very slow progress indeed.

The World Bank, which recently conducted a thorough investigation of Nigeria's energy sector, estimates that in 1981, natural gas accounted for only 15 per cent of commercial energy consumption, compared with 79 per cent for petroleum products.

Half of the proven reserves are found with oil and automatically released when the crude comes to the surface. And the vast bulk of this so-called "associated gas" is at present simply flared off and wasted at the well-head.

Estimates

Shell, which as the operator of the largest oil joint venture in Nigeria has the majority of the country's gas within its concessions, estimates that only 10,000 barrels per day of oil equivalent (bdoe) of associated gas were harnessed for power generation and industry from its fields in 1983, while 90,000 bdoe were flared.

This practice has long been an embarrassing thorn in the side of the Nigerian Government. As a result in 1979, the previous military regime published a decree requiring all oil companies to cease flaring by 1984.

They were subsequently given a year's stay of execution, and the companies persuaded the Government during negotiations last year to water down its demands. But as from the beginning of January, companies which continue to flare gas must pay a fine of 2 kobo per 1,000 cu ft (mcf) for their equity share—that is, 40 per cent in the case of most companies and 20 per cent for Shell.

About 1 mcf of gas is flared for every barrel of oil produced, so the levy does not seem large. What is more, a generous number of oilfields is exempted from the decree. However, oil companies are still quietly grumbling about the extra expense.

"It's not punitive, but it's money out of our pocket," says one senior executive. "It's enough to make you think."

The problem for most companies is that they do not see an easy alternative to flaring. Re-injection of gas into the oilfields, a widely-favoured method of enhancing rates of recovery elsewhere, is neither necessary nor technically feasible in most Nigerian reservoirs, as well as being fiendishly expensive.

In many cases, the oil is driven out automatically by heavy water pressure from below, and in some, say the oil companies, re-injection would actually damage the reservoir. Some companies such as Mobil are, nonetheless boosting investment in re-injection facilities.

In the long term, however, everyone is agreed that the ideal solution is finding a productive use for Nigeria's gas, whether all-associated or not. The Government's plans are twofold:

● Developing natural gas for export. Various proposals to build a multi-billion-dollar plant at Bonny to supply liquefied natural gas (LNG) to European partners have been under sporadic discussion for at least ten years, and Maj-Gen. Buhari has repeatedly emphasised his government's commitment to this project since coming to power.

Stalled

But there have as yet been no concrete moves to get the plan—with Shell as project leader—off the ground. Fears are growing that it may not come on stream in time to fill a purported gap in European supplies in the 1990s, and that in any case, the Nigerians will not be able to line up sufficient long-term contracts to justify such a risky venture.

● Encouraging the use of gas by domestic industry and power stations (use in the home is considered too dangerous at present to be widely promoted). Here the main problem is a lack of infrastructure. Nigeria's gas pipeline network is still in its infancy, consisting of isolated lines of widely varying sizes designed to supply individual plants.

But a planned $1bn gathering system and pipeline to transport gas from Escravos to the huge new Igbin power station near Lagos is a big step in the right direction.

The gas gathering system and pipeline, to be built by Mannesmann of West Germany and Saipem of Italy respectively, would reduce Nigeria's flaring of gas by 10 per cent and enable some 70,000 barrels of fuel oil per day to be saved for export, according to the World Bank, which has offered a $250m loan to finance Mannesmann's portion.

But this project, too, is stalled, for two basic reasons. First, the Italian export credit agency Sace is hesitating about financing the Saipem contract, ostensibly because of the informal understanding between Western governments not to extend new cover to Nigeria until it does a deal with the International Monetary Fund (IMF).

As a result, 100 km of 36 in steel pipes already manufactured by the Italian company are sitting idle on a wharf in Tarranto, awaiting the go-ahead.

Secondly, the World Bank is having its own doubts about the project. These stem from the biggest single obstacle to the development of Nigeria's gas industry: the Government's heavily-distorted pricing policy for energy products, also one of the principal sticking points in its talks with the IMF.

The Bank calculates that petroleum product prices in Nigeria reflect on average only half their true economic value. This gives industry and the power generating utility little incentive to shift to gas, although it is estimated that if all products were sensibly priced, the cost of gas to commercial users could be as little as 20 per cent of the cost of alternative fuels.

Prof Tam David-West, the oil minister, has said that he is about to propose a revised pricing structure for all fuels including gas.

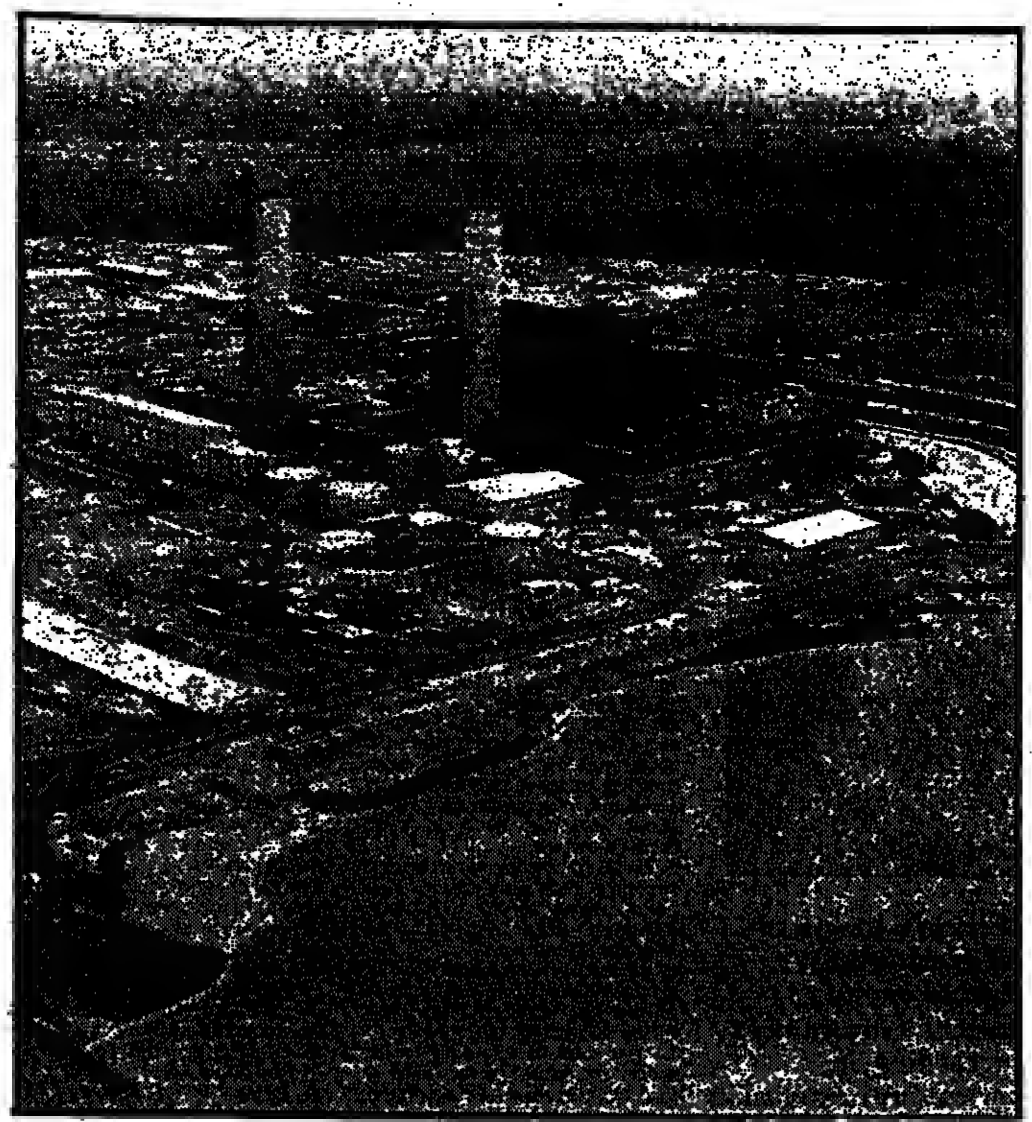
But it remains to be seen whether this more closely reflects market realities, as the Bank is urging.

"There's not an oil company in this country that's paid a reasonable price for its gas," said one oilman.

The key issue, though, is what price the National Electric Power Authority (NEPA) is prepared to pay the state oil company NNPC for the gas. Until that issue is resolved, and NNPC is assured of recovering its gas development costs, the Escravos project—and all other attempts to step up the use of gas for power generation—will remain on ice.

Everyone is aware of the damage that could do. Sooner or later, if unchecked by diversification into other fuels, growth in domestic demand for petroleum products could begin to jeopardise vital oil export earnings.

Although Nigeria is expanding its oil refinery capacity, its huge gas reserves have yet to be tapped and could be 30 to 40 per cent larger than oil reserves



The N600m Igbin project, near Lagos, will be West Africa's newest and largest thermal power station.

The main contractor for the 1,320 Mw station is Bouyges of France in a consortium with Japan's Marubeni and Hitachi, which were awarded a turnkey design and build contract by Nigeria's National Electric Power Authority. Final completion is due by September, 1987.

Apart from the Igbin project, Major General Buhari has promised feasibility studies on possible power plants at Onitsha, Makurdi, Oron Katsina, Mambilla and Kaduna.

Services improve dramatically

Electricity supplies

ANDREW GOWERS

AS Alhaji Rilwanu Lakman, Nigeria's Minister for Power, sits at his desk, a huge bold graph in red and green stares down at him from the wall—and all the lines on it are pointing upwards.

It is a dramatic illustration of one of the biggest changes in Nigeria since last year's coup: the improvement in the country's electricity supply.

Until quite recently, the poor performance of the National Electricity Power Authority (NEPA), the state generating utility, was the bane of Nigerian town-dwellers lives.

Power cuts caused by insufficient and inefficient electricity supply and inadequata maintenance of plant left large swathes of Lagos and other cities in darkness for hours at a time, and caused a headache of migraine proportions for industry.

Investment in standby generating sets for factories inflated manufacturing costs alarmingly.

The project review committee set up by the Government last year said the electricity problem had reached "crisis proportions."

These problams have not, of coursa, disappeared. The lights still go out and tha air conditioning still grinds to a halt with depressing frequency. Nepa remains in a fragile state, "held together by Sellotape and string," as one observer put it.

But the stoppages are fewer and certainly shorter in duration. Everyone in Lagos, from taxi-drivers living in the shanties of Yaba to businessmen in the villas of Victoria Island, agrees that the service has markedly improved.

Sceptics are quick to point to one reason for the change. With industry working at a fraction of its full capacity and demand for power sharply reduced, they say. Napa is bound to find it easier to cope.

But that is at best a partial explanation. Electricity production has risen, too. When the Buhari regime came to power, the country's generating systam was churning out only between 900 MW and 1,000 MW mnch less than half its installed capacity of 2.408 MW.

According to Alhaji Lukman, ontput is now up to 1,500 MW or more, and NEPA claims that it could generate as much as 2,300 MW.

Behind this rise lie two important new developments:

● First, monitoring of Nepa's performance — virtually non-existent under the previous civilian administration — has been tightenad up beyond all recognition.

"Every time there's a major power cut, the Minister is on the phone to Nepa demanding to know why," says one knowledgeable observer. The chart on Alhaji Lukman's wall is another sign of his close interest in tha authority's affairs.

● Secondly, attention has been focused to an unprecedented degree on refurbishing and rehabilitating existing facilities rather than embarking on expensive new projects.

The Sapale gas-fired power station in Bendel state, for exampla, which is meant to supply a third of the nation's requirements, was in a near-terminal state of decay last year. Out of six turbines, only one was reported to be working. Now all six are on stream, although not anywhere naar at full capacity.

The World Bank, too, Nigeria's biggest foreign aid donor, is shifting its emphasis increasingly to refurbishment rather than expansion of capacity.

It provided the authority with two loans of $100m each in the early 1980's to assist with increasing tha power supply and enhancing distribution in Lagos and mora than 20 othar cities.

But a large chunk of the funds remains undrawn, and late last year, the Bank redirected $44m to help with rehabilitating equipmant.

There is now talk of a third Bank loan "to help Nepa better utilise its existing and future generation capacity."

The authority undoubtedly needs the money. Although this year's detailed budget estimetes have yet to be released, it is believed that Nepa's allocation has been cut sharply from its 1984 level of N 216m.

In tha meantime, it still has major day-to-day problems on its plate. Revenue collection remains a nightmare, and Nepa managers are currently studying a report on how this might be improved.

Over the past year or so, the hydro-electrie plants at Kainji and Jebba are reported to have suffered from drought, which brought water levels dangerously low.

And there is still an enormous amount of work to be done in bringing existing plant up to scratch. Nepa remains in desperate need of more skilled personnel, and continuing shortages of imported spara parts are not likely to make the task any easier.

Bnt until the maintenance and managemant problems are sorted out, there will be no time for Nepa or the Government to think seriously about their longer-term goals, such as building more power stations.

Apart from tha new power station at Igbin, naar Lagos (see separate article), Major-General Buhari has promised feasibility studies on possible plants at Onitsha, Kaduna, Makurdi, Oron Katsina and Mambilla. Clearly, new capacity will be needed at some stage in the future. Nepa *is still only producing enough* electricity to satisfy the demands of a British town the size of Sheffield.

But as the project review committee pointed out, installed alectricity generating capacity has traditionally exceeded estimated demand in Nigeria.

National Electric Power Authority Capacity

	Mw
Hydro-plants:	
Kainji	760
Gas/oil-fired:	
Afam	742
Sapele	696
Lagos	60
Coal-fired:	
Oji River	150
Total	2,408

Igbin project brightens city's future

Thermal power

PETER BLACKBURN

AT 7 AM each morning Mr Ivan Replumaz boards a speedboat at Ikoyi to commute to work across Lagos Lagoon to Igbin, the site of West Africa's newest and largest thermal power station.

The 25-minute ride past the occasional fishing boat is considerably quicker and easier than the 40 km journey through the traffic jams of Lagos.

Mr Replumaz is Bouyges' project manager for the construction of Igbin Power Station which promises to brighten the future for Lagos' long-suffering residents. The 1,320 mw station will substantially increase the National Electric Power Authority's (NEPA) installed capacity and should help to reduce the power cuts that have long plagued daily life.

But completion of construction could be just the prelude to a boost of new problems with fuel. Igbin is designed to be eventually fired with natural gas piped from fields at Escravos, but financing delays with the pipeline mean that it will initially have to rely on expensive heavy fuel oil brought up by barge from Lagos's Apapa port.

Bouyges is the main contractor in a consortium with Japan's Marubeni and Hitachi which was awarded a turnkey "design and build" contract by NEPA in 1981 and now worth N600m.

"Despite various delays and problems the first of the six 220 mw units will be commissioned on schedule in May," said Mr Repulmaz. The other five units are due to be commissioned at *six-monthly intervals* with final completion set for September, 1987.

The completion on time of projects has become extremely rare, especially since most major schemes were either stopped or slowed down as a result of the Government's austerity programme introduced in early 1982.

On schedule

The completion of Igbin shows the high priority attached by both the civilian and military governments to improving the country's power supplies.

But despite the project's political priority the going was far from easy. There were initial delays when some 500 people from the fishing villages of Igbin and neighbouring Ipakan had to be resettled.

Difficulties were experienced in 1983 obtaining import licences and expatriate quotas while work nearly stopped in early 1984 because of a severe backlog in payments.

The contract was renegotiated by the new military Government in March, 1984, to take account of an escalation in costs and tha addition of extra works. As with other contracts the military also investigated whether there were any hidden commissions.

The overall contract price was raised to N600m from N410m and changed to "fixed price" from lump sum, plus escalation.

Bouyges share of the contract was increased to N240m from N210m. It is 85 per cent financed by e buyer's credit, arranged by Societe Generala de Banque and guaranteed by Banque Francaise de Commerce Exterieur.

Although most of the construction was sub-contracted, Bouyges still had up to 75 expatriates to co-ordinate activities as well as 2,000 Nigerian employees.

The expatriates live on the 30 hectares site in a specially-built residential area which will later be handed over to NEPA. It includes 350 housing units, shopping centre, clinic and staff club with tennis, swimming and air-conditioned squash courts.

Equipment

The Igbin site was chosen for its proximity to Lagos and ebundant water supplies, Mr Replumax explained. When fully operational some 17,500 cu m of watar will be pumped out of the lagoon to cool the power station's six condensers.

During the peak period 3,000 tonnes of equipment and materials were shipped into the country. Some 11,500 tonnes of structural steel and 106,000 cu m of concrete were used in the construction of the power station.

Some 3m cubic metres of mud has been dredged out of Lagos Lagoon so as to provide a navigation channel for the 80 metre long 1,200-tonne capacity barges to reach Igbin.

The single barge operating at present is sufficient to supply fuel to ½ units operating at full capacity, Replumaz said. Four barges would be needed when the power station is completed.

Four 30,000-tonne fuel storage tanks will provide about one month's supplies when the power station is operating normally.

Meanwhile, observers concerned about whether the Lagos distribution network will be able to handle the enormous increase in electricity supply which Igbin will bring.

"It would be a pity to see the energy wasted," they said.

Meanwhile, plans are already being considered to build an extra three units at Igbin and to raise capacity by 50 per cent so as to keep pace with the projected increase in demand for power.

Although the military Government claims that the success of its agricultural policy is already apparent, critics say this boost is due more to the fortuitous arrival of good rain and to protection from imports

A much-needed boost for farming sector

AUSTERITY MAY be crippling Nigerian industry and cramping lifestyles—but for agriculture, it appears to be providing a much-needed boost, in the short term at least.

Import cuts have caused sharp rises in food prices which have improved farmers' profitability; retrenchment is forcing the urban unemployed back to the land; and virtually every major agro-allied company in Nigeria is searching for ways to reduce dependence on imports by meeting raw materials needs locally.

Years of neglect destroyed the agricultural base which made Nigeria self-sufficient in basic foods and a major commodity exporter in the 1960s and early 1970s. There are now signs though that the pressure of competition from cheap imports has eased, motivating small farmers to produce a surplus for sale above their subsistence needs.

At the same time, poor medium-term prospects for import availability have persuaded the agro-industry that it must look to farming to reduce its current debilitating dependence on imported raw materials.

There can be little doubt that it was the oil-inspired prosperity of the past decade which precipitated the decline in Nigeria's agriculture. The lure of oil-rich cities prompted a massive exodus of labour and capital from the countryside. And the availability of plentiful foreign exchange made agricultural development a low priority for government.

Growth in food production began slipping behind population growth, which exceeded 3 per cent, and by 1981 Nigeria was importing over N2.2bn ($1.8bn) in food and agricultural raw materials.

Since that time, the decline in oil revenues has forced a sharp drop in imports, with spending on food imports slashed by more than 40 per cent from its 1981 peak to about N1.25bn last year.

But it is clear that austerity on its own will not be enough to reverse the decline in domestic food production, and can have little positive impact on the export sector, made hopelessly uncompetitive in world markets by the overvalued exchange rate.

While protection from cheap imports can provide an impetus to agricultural production in the short term, the long-term recovery of the sector—which still provides a livelihood directly or indirectly for more than threequarters of the population, will depend on government action in the following areas:

● Funding: Some N1.06bn has been allocated to agriculture in the federal government's 1985 capital budget, representing 18 per cent of the budgeted total. But allocations to agriculture under the previous civilian regime were similarly high, averaging 16 per cent of the annual budget, while agriculture continues to languish.

Government officials admit privately that this was due largely to the inefficiency, financial mismanagement and corruption which plagued agricultural para-statals and they say steps are being taken to ensure that funds are spent more productively.

Inefficiency

The finances of the River Basin and Rural Development Authority, which have the largest single budget allocation and have been among the worst offenders, are now under close scrutiny. And some lossmaking para-statals have been closed down or are being sold off to the private sector.

● Incentives to private investment: The Government has set up an agricultural investment bureau to encourage large-scale private investment in agriculture, and there is considerable interest among companies in the brewing and soft drinks industries, textiles and the major trading houses in investing in agriculture.

But both local and foreign investors complain that the incentive structure is out of tune with their needs. "The debate revolves around whether they should allow 80 per cent foreign equity or only 60 per cent," says one potential foreign investor.

"What they don't seem to realise is that we're not worried about equity. What we want is to be allowed 100 per cent management control—no matter who holds the equity."

● Compulsory investment schemes: The Government is now preparing a White Paper based on the recommendation of the "Aribisala Committee" on agriculture, a Government-appointed study group chaired by Chief Theophilus Aribisala, formerly agricultural adviser to ousted President Shehu Shagari. The committee has recommended a compulsory investment scheme requiring all local companies over Naira 5m turnover to invest 10 per cent of turnover in agriculture.

● State involvement in agriculture: Here, the Government is re-examining the role of the commodity boards which Dr Bukar Shaib, Agriculture Minister, said last month had made cumulative losses of N426.5m by the end of 1983.

● Input supply: Fertiliser supplies have improved dramatically as a result of a $250m World Bank loan to cover the cost of importing some 2m tonnes in 1984 and 1985. The cost of imports has been reduced as a system of international competitive bidding has been adopted, and the involvement of the private sector in distribution has improved efficiency.

Continued timely provision of fertiliser will be among the most critical factors in maintaining the current impetus to increase production.

● Farms-to-market roads: The construction of feeder roads by the World Bank-assisted agricultural development programmes have ensured that farmers receive a larger share of current high market prices, by reducing the premium charged by traders for purchasing goods in less acceptable areas. Maintenance of these roads is critical.

● Exchange rate policy: Few agricultural experts believe that a permanent revival of agriculture can come about without an adjustment in the value of the Naira, both to stimulate exports and to ensure that food imports, if and when they resume, will not destroy the competitiveness of local production.

Output

According to Maj Gen Buhari, the success of his government's agricultural programme is already becoming apparent—agricultural output rose 2 per cent last year, after an 8 per cent drop in drought-stricken 1983.

Critics point out that this increase was due more to the fortuitous arrival of good rain—and to the protection from imports which have become Government policy by default—than to any of the other measures adopted by Government.

Nevertheless, it is clear that the country's long-term prosperity must depend on the current government succeeding where the "Operation Feed the Nation" and "Green Revolution" of past regimes have failed. Or face the chilling prospect of a food deficit variously estimated at between 5m and 20m tonnes by the end of the decade.

Nigeria's long-term prosperity must depend on the current Government succeeding in agricultural expansion where past regimes have failed, as Patti Waldmeir reports here.

GOVERNMENT INCENTIVES

THE NIGERIAN Government is encouraging private investment in agriculture with these incentives:

● Majority foreign ownership: while foreign firms are restricted to a 40 per cent holding in most sectors of the economy, agricultural ventures can be 60 per cent foreign-owned.

Maj-Gen Buhari announced recently that this share had been raised to 80 per cent, although this has yet to become law.

● Credit: commercial banks are now required to commit 12 per cent of their loan portfolios to agriculture (up from 10 per cent last year), while merchant banks must lend 6 per cent to the sector, from 5 per cent in 1984.

Interest rates have been increased to provide additional incentives to banks, which have regularly fallen short of targetted lending in the past. Grace periods on agricultural loans have been lengthened, to a maximum seven years for ranching. Interest on agricultural loans is exempt from taxation.

New measures

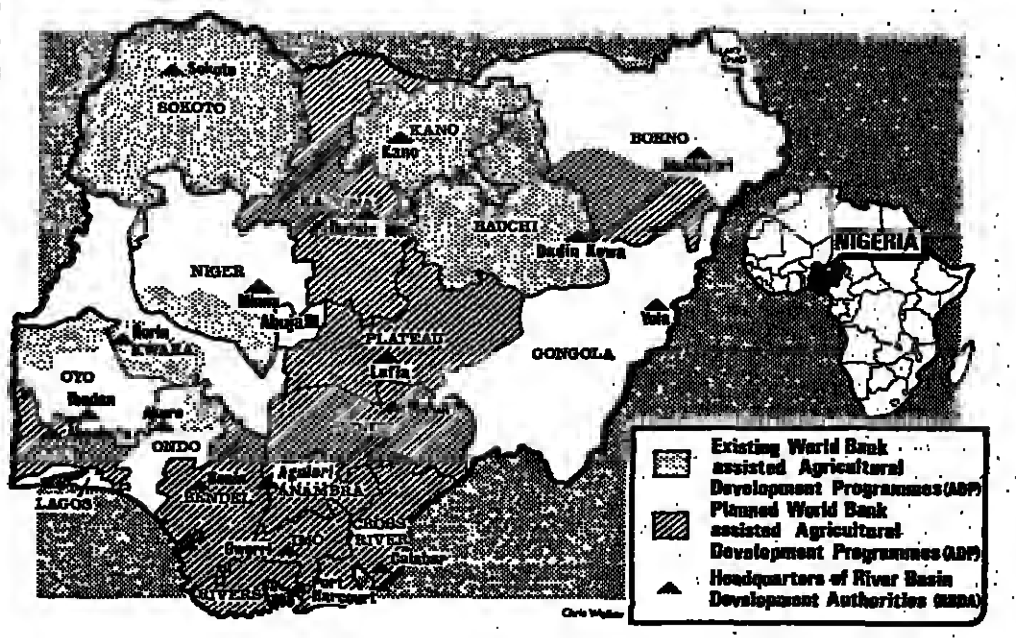
● Tax relief: new agri-business companies enjoy a three year income tax holiday.

● Agricultural equipment: all farm equipment imports are exempt from duty.

● Accelerated depreciation: agri-business companies can depreciate their assets against profits at an accelerated rate.

● Loss provisions: losses can be carried forward indefinitely and written off against eventual profits.

● Excise duty: agri-business companies are eligible for substantial concessions in excise duty payments if the Ministry of Commerce and Industry is satisfied that they use the maximum amount of local raw materials.



Growth in food production has fallen behind Nigeria's rate of population increase. Most peasant farmers still use traditional methods but improved crop varieties and greater use of fertiliser have increased yields

Costs force rethink of irrigation plans

SOUTH of the road from Gombe to Biu, on the border between the parched Northern states of Borno and Bauchi, a farmer stands ankle-deep in water among the thrusting green rice shoots and praises the state River Basin Authority for irrigating his land—at a minimum cost of N5,000 per hectare.

Just over the road, controlling the flow from his recently-installed irrigetion pump, another farmer has similar praise for the state Agricultural Development Programme (ADP) for bringing water to his paddy field et e cost of about N700 per hectare.

Both farmers are cultivating land which could be crucial to Nigeria's future hopes of reaching self-sufficiency in food production—land which, without irrigation, would lie idle during the November to April period when river heds crack and hlister in the heet and harmatten dust from the Sahara clouds the sun.

There seems little doubt among agricultural experts in Africa that irrigating such land throughout the savannah-lands of the African Sahel holds out the only real hope of combating the devastating effects of the continent's cyclical droughts.

The debate, part of a wider reassessment of development policies now being carried out hy donors and governments throughout Africa, centre on how to irrigate most economically and with a minimum of social and environmental disruption.

Essentially, the choice is between large-scale, highly capital - intensive irrigation schemes, which rely on technology imported from the edvanced agricultural countries of the West, and more modest schemes which apply simple technology adapted through research to African conditions.

Nigeria is experimenting with both kinds of scheme under the auspices of the federal government's River Basin Rural Development Authorities and World Bank-assisted Agricultural Development Programmes—among the most amhitious development programmes in hlack Africa.

The first River Basin Authorities were created in response to the last Sahel drought in the mid-1970s, when Nigeria looked to the West to provide technology to dam the great seasonal rivers of the North.

Authorities have recently been extended to cover every state in the Federation bar one. Federal capital budget allocations to the authorities between 1982 and 1985 alone have totalled nearly N2bn.

The Authorities have engaged in a wide range of activities, from construction of a network of massive dams to land clearing, extension work, seed multiplication and in some cases large scale farming (although they have since heen forhidden to engage in direct production).

Agricultural development

PATTI WALDMEIR

Conceived in the rosy glow of oil boom prosperity, and et a time when hopes for such schemes were high throughout Africa, River Basin Authorities seemed the obvious answer to the problem of feeding Africa's most populous nation.

Now Nigeria's straitened circumstances have forced a review of the Authorities' activities which reveals e number of serious shortcomings.

Government officials edmit privately that there have been numerous instances of financial mismanagement, inefficiency and corruption, with one top-level official estimating that costs were inflated by more than 50 per cent by financial irregularities.

Investigation

Government is now investigating the books of the 11 original euthorities, and management and board members of one euthority are being held on charges of financial impropriety.

The schemes have also come under heavy criticism because of their high unit costs. The capital cost of a gravity-flow irrigation network at the Kano-Hadejia Authority in Kano state is estimated at N15,000 per hectare, an enormous sum to recover through smallholder farming.

And in several cases, the schemes have actually taken more land out of cultivation—through flooding of farmlands by the dam's artificial lake, and through loss of fertility in so-called "fadama" areas in the river's normal floodplain—than was brought under irrigation downstream.

Government officials concede that there are powerful economic arguments against tha authorities—especially when the high foreign exchange costs of maintaining sophisticated pumping stations and sprinkler systems are taken into account.

"But we don't want to he bound by the economics of these things," says one top Agriculture Ministry official. "When hunger comes, economics flies right out the window."

Nevertheless, there are signs that government is considering scaling down some of the more grandiose projects.

While the River Basin Rural Development Authorities have primary responsibility for water resource development in Nigeria, the Agricultural Development Programmes (ADPs) are also now expanding into this field from their traditional focus on rainfed agriculture.

Jointly funded by the Federal and State governments and the World Bank, the ADP programme was set up on e pilot basis in the mid-1970s and has since heen expended to state-wide coverage in e number of states.

Some two-thirds of the land surfece of Nigerie will he serviced by ADPs when eight new programmes come onstream this year and next.

The ADPs follow a fundamentally different approach to irrigation, with the emphasis on low-tech irrigation of about e hectare at a time in fadama areas where the water table is relatively high.

The effect on costs is dramatic—for N700, several Northern ADPs will drill the farmer e shallow tube-well and sell him a Honde pump with which he can irrigate np to a hectare. Response so far has been enthusiastic.

Such adaptation is clearly the way of the future for the River Basin Authorities as well. Officials believe there may still be time to scale down some of the Authorities' more obvious excesses and put them at the service of Nigeria's Green Revolution.

Cuts in imports such as rice have made locally-produced foods more in demand. Above: growers bring their wares to the quayside market by the marina at Badagry

PROFILE: ADP

BY PATTI WALDMEIR

Banishing the drudgery

GATHERED in a dusty clearing outside the family compounds of Falfule village in the northern state of Banchi, turbaned village elders await the arrival of the state's military governor Brigadier Mohammed Sani Sami.

The occasion is the commissioning of the 1,000th village borehole constructed by the Banchi State Agricultural Development Progremme (BSADP), an ambitious World Bank-assisted project which aims to raise living standards for 425,000 farming families (95 per cent of the state's rural population).

The governor arrives, and with a few vigorous turns of the shiny new pump handle starts a flood of the clear, sweet water which will erguably have more impact on the wellheing of villagers than any other component in the $350m project.

The programme's aim is to build on the strengths of traditional farming systems—which have been carefully adapted over the centuries to the demands of the savannah belt's fragile and inherently infertile soils—through the aid of appropriate technology.

The emphasis is on extension teaching of improved farming methods, hacked by the provision of reasonably-priced inputs and the physical infrastructure needed to bring the goods to market.

Improving rural water supplies, through the construction of dams, boreholes and shallow irrigation wells, is also central to the project.

"We want to take the drudgery out of agriculture," says Alhaji Adamu Humaini, programme manager of BSADP, a statutory body funded jointly hy the Federal and State governments and the World Bank.

"Our main achievement is that we've persuaded the rural population that farming can he profitable."

Critics maintain, however, that profitability has less to do with the project than with recent sharp rises in farmgate prices of most crops. This, coupled with the collapse of alternative employment opportunities in the cities, had already gone a long way towards rekindling interest in farming state-wide.

Fertiliser

Nonetheless, BSADP has clearly had a considerable impect. Its network of "farm service centres" have hrought essential inputs such as fertiliser and insecticides to within 7-10 km of every farm in the project area. And 600 km of feeder roads built so far have opened up producing areas which were previously inaccessible.

ADP techniques applied to the pilot "Gomhe" project, the immediate ancestor of BSADP, achieved impressive results. Production of maize in the Gombe area in eastern Bauchi stete rose to 60,200 tonnes at the end of the five-year project from only 7,700 tonnes at the project's inception.

At current high prices, BSADP extension workers estimate thet farmers who follow BSADP extension advice and purchase inputs from its centres can earn 100 per cent profits on a hectare of land under maize, due to increased yields.

The impact of the programme on total state-wide production is more difficult to assess.

Original projections of a 5 per cent increase in farm output each year were made meaningless by the 1983 drought, the worst in living memory in Bauchi state. After a bumper crop in 1982, state-wide production fell 38 per cent in 1983 although it returned to normal levels in 1984.

Results have also been hampered by persistent funding problems, according to BSADP officials. Feeder road construction was stopped altogether between July and December last year due to a shortage of Federal government funds.

Unit costs of the project are relatively low—N75 per farm family per year—partly due to the fact that sales of inputs are not heavily subsidised. Inputs are sold at a small profit by the Beuchi State Agricultural Supplies Co, BSADP'e commercial arm.

But critics say overheads represent far too high a percentage of total costs, with large sums spent on salaries for nearly 3,000 staff (only 500 of whom have eny direct contact ewith farmers) and on staff houses and office blocks.

And all the project's impressive gains could still be jeopardised hy a failure to devote funds to training maintenance engineers in the state institutions which will take over responsibility for roads and physical infrastructure when the project terminates in 1986.

The Falfule borehole pump, under the best of conditions, will have a life of ahout ten years.

"Without proper maintenance," says a BSADP official, "it will be lucky to last half that time."

PROFILE: DADIN KOWA DAM

Giant project scaled down

THE startling fact about the Dadin Kowa dam is that it will remove from cultivetion in the medium term three times as much land as it brings under irrigation—at a capital cost of over $90m.

Tha dam, which will create a 2.8bn cubic metre artificial lake in the dry and impoverished Northern state of Bauchi, will flood 19,000 hectares of rainfed farmland in order to double yields on 6,200 hectares of land throngh irrigation downstream.

The Dadin Kowa project and others like it throughout Nigeria were designed in the flush of oil hoom prosperity when the technology of large-scale irrigation — backed by heavy infusions of cash—seemed the best hope for hringing Nigerian egriculture into the 20th Century.

Inspired by the success of similar schemes like the Tennessee Valley Authority in the U.S., Nigerians were convinced thet the promise of dramatic increases in production made such massive investment worthwhile.

But soon after work started on the $65m Dadin Kowa dam in early 1981, the Nigerian economy headed for the doldrums. It became apparent that grandiose plans for irrigating some 44,000 hectares in Bauchi and neighhouring Borno and Gongola states would have to be scaled down.

Persistent shortfalls in Federal funding have pnt back completion of the dam two years to 1986 and the immediate plans are to raise $28m to install e sophisticated sprinkler irrigation system for only 6,200 hectares instead of spending a conservatively estimated $250m to irrigate all 44,000.

According to Alhaji A. H. Hashidu, general manager of the Gongola-Jama'are River Basin Rural Development Authority, the government body in charge of the scheme, steps could be taken eventually to soften the impact of the dam on npstream farmlands hy installing floating pumps to service land periodically flooded by the lake. The pumps would provide irrigation when the floodwaters receded.

This would bring some added land under irrigated cultivation. But there seems little likelihood that funding will be available in the foreseeable future to complete the project as designed.

Alhaji Hashidu points to the Government's success in peacefully resettling some 15,000 people displaced by the dam.

Full compensation was paid for land acquired hy the Authority, and the scenes of rioting farmers which marred the construction of Sokoto State's Bakalori dam in the late 1970s—19 people were killed when police were sent in to quell one such revolt—were not repeeted at Dadin Kowa.

Benefit

The Government has won farmers over to the scheme, according to Alhaji Hashidu. Indeed, co-operation hy farmers will he crucial to the success of the irrigation network when complete, as irrigation water will be shaded out according to a rigid four-day cycle to be edministered by farmers themselves.

There is little doubt that the impact on the 1,560 farm families which will immediately benefit from the dam will be enormous. Dry season cultivetion will make two crops possible eech year and the risk of crop losses due to drought—perhaps the most serious problem fecing peasant fermers in the area—will be removed.

The dam will also provide drinking water and feed 34 Mw into the national electricity grid.

The challenge for government will be to ensure thet these gains are permanent. Maintenance of the irrigation works will require costly imported spares and skilled technicians, which seem likely to be in short supply in the near future.

PATTI WALDMEIR

At the bustling Jankara Market in Lagos an open-air butcher gets to work and (right) a peasant farmer brings her plaintain crop to the city

Strong commercial approach meeting ready market

Poultry farming

ANDREW GOWERS

WHEN General Olusegun Obasanjo, Nigeria's last military leader, gracefully handed over power to civilian politicians in October, 1979, he had a problem: what to do next.

"I was unemployed and unemployable," he recalls, with the hint of a twinkle in his eye.

He did not hesitate for long. Two weeks after stepping down, he appeared at a specialist university training centre in Ibadan and asked for lessons in agriculture. Now he is the nation's most famous farmer, and one of its more successful.

"People were sceptical, at first. They thought it was some kind of a joke," says Prof Biodun Olaloku, Gen Obasanjo's mentor at Ibadan's Institute of Agricultural Research and Training. "His personal determination made it work very quickly."

"He takes it absolutely seriously," agrees an official at the International Institute of Tropical Agriculture nearby. "He... wants to make it clear that farming can be respectable."

Gen Obasanjo, a genial relaxed man of 47, owns Temperance Enterprises, a rapidly-growing food conglomerate, based at Ota, conveniently on the fringe of Lagos's urban sprawl.

Scattered

There, and at his four other units scattered across Oyo state, he keeps nearly 400,000 egg-laying and broiling chickens, can hatch up to 1m chicks, houses a sizeable herd of pigs, and grows maize, cassava and even mushrooms.

By any standards, this is a large commercial farm, replete with 24-hour shop and restaurant at the gate. The General has a huge ready-made market on his doorstep.

Poultry is so much in demand in the Lagos area that Temperance Enterprises does not even feel the need to do any marketing: all buyers — most of them acting on behalf of leading supermarket chains with the facilities to handle frozen produce — negotiate their transactions at the farm and arrange transport themselves.

The potential for battery farms such as Gen Obasanjo's is enormous, reflecting the current low proportion of animal protein in the average Nigerian diet. It is estimated that daily per capita supplies of animal protein in the country were less than 5g in 1983, only about 20 per cent of the recommended minimum for adults.

To many would-be farmers, poultry production represents the easiest and most obvious way to make up that deficit.

The problem is not a lack of chickens, but the efficiency with which they are used. With an estimated poultry population of between 133m and 158m in 1983, Nigeria has more than some developed countries which are not only self-sufficient but export poutrymeat in large quantities.

The number of intensive poultry units is still relatively small, concentrated close to the major conurbations of southern Nigeria. Many of them sprang up as a result of incentives given by government as long ago as the late 1950s.

Prof Olaloku estimates that less than 10 per cent of all animal products available in Nigeria stem from commercial production within the country.

Clearly, the obstacles to setting up and continuing in the busines are enormous, and the rewards are probably not that great. Gen Obasanjo maintains that his organisation is only breaking even, despite turnover last year of N25m and what are generally regarded as relatively low operating costs.

"I wouldn't compare the money to be made in this with the profits in bringing in frozen chickens from abroad," he says.

Farmers identify at least five key problems facing poultry producers:

- First bureaucracy is a ubiquitous hurdle, whether e farmer is trying to get land or just an import licence for animal feeds or drugs.

Gen Obasanjo, as a former head of state, has the influence to brush some of these difficulties aside, but as one retired army colonel, who wants to go into farming, remarked: "How many others have the bulldozing power to bulldoze all those problems outof the way?"

- Second, insufficient finance has been available for the considerable investment which intensive farming entails.
- Third, commercial poultry farmers have suffered as much as anyone from the supply bottlenecks and shortages which characterise every sector of economic life in Nigeria. Maintaining a viable poultry operation depends crucially on a constant supply of feed, usually maize-based, of day-old chicks and of other inputs such as drugs and vaccines to combat the ever-present risk of disease.

Relatively efficient producers like Gen Obasanjo have aimed for a high degree of integration in their farms producing as much of their own maize and hatching as many of their own chicks as they can.

It is still not nearly enough; the General is reported to have been desperately in need of imported maize last year, and according to one estimate, half of all Nigeria's poultry production capacity had to shut down for at least part of 1984 for lack of feed.

There are fears that imported drugs, too, will once again be in short supply in 1985.

- Fourth, management of poultry enterprises is generally poor.

"Many poultry units are inefficient and producing well below their capacity," says Prof Olaloku.

- Fifth and most important is the attitude of Government. Although the authorities' spending on agriculture over the years has been lavish, the livestock sector has tended to rank low on their list of priorities.

Farmers complain of frequent "stop-go" policy changes, of competition from floods of cheap imported frozen chickens, of inadequate incentives to use expensive domestically produced maize, and insufficient feed imports.

"I think there is a great ignorance within the government policy-making machinery," says Gen Obasanjo.

"I've been at both ends, at the giving end and at the receiving end, so I know what I'm talking about."

Although there is great scope for the poultry sector, there are shortages of feedstock to be overcome.

Interest in lost crop renewed

Palm oil

PATTI WALDMEIR

THERE MUST have been an oil palm tree in the Garden of Eden.

Growing wild throughout the luxuriant rain forests of West Africa, the towering oil palm requires a minimum of husbandry to provide the essentials of food, drink and shelter.

Its fruits yield the rich red oil which is at the base of every spicy West African dish. Its fronds are used as roofing while its sap, drawn in early morning, ferments naturally by evening to a fearful potency.

For years before crude oil came to dominate the Nigerian economy, palm oil held pride of place as one of the country's top foreign exchange earners. Nigeria was at one time the world's leading exporter of the oil, which is used for soap manufacture.

But by 1979, exports had dwindled to nothing under the influence of sharply rising domestic assumption, the crude oil boom which lured labour off the land, and the widespread destruction of oil mills in the east during the Nigerian civil war.

The trees aged without replanting and their productivity declined substantially while a return to traditional, inefficient methods of hand extraction meant yields of finished oil fell.

By 1982 Nigeria was forced to import some 168,000 tonnes of palm oil to meet domestic needs.

Now in the former heartland of oil palm production, the country's eastern Rivers state, farmers' interest in the crop is being rekindled by a unique project jointly financed by the Federal and State governments and the World Bank.

Lorries piled high with bunches of the bright orange palm fruit queue up through the night ouside the "Risonpalm" project's mill, during the peak production season.

The fruits are purchased and collected by Risonpalm from smallholder farmers who primarily gather them from wild groves within a 100 km radius of the mill.

"We expected to get maybe 6,000 tonnes from smallholders last year. Instead we got 23,000. This year we expect to get 40,000 tonnes and may well get 70,000," says project manager Mr P. Vandebeeck of Socfino, the Belgian company which manages the $83m project.

According to Mr Vandebeeck, most of the fruit came from wild groves, many of which had previously been abandoned. Faced with prices kept low in recent years by a flood of cheap imports, farmers had preferred to leave the fruits unharvested rather than risk climbing to retrieve them and engaging in the tedious process of extracting oil by hand.

Response

He explains the eager response of farmers by pointing out that Risonpalm offers them a ready market at a time when prices have shot up steeply in response to sharp cuts in imports last year (some estimates put total 1984 imports at 30-40,000 tonnes while the demand gap is estimated at around 300,000 tonnes).

Risonpalm oil sells at N2,000 ($2,400) per tonne et the mill-gate, compared to a landed cost of $650 per tonne for imports.

Exploitation of neglected wild groves throughout the country —agriculturalists estimates some 1.5m to 2m hectares could be tapped—would undoubtedly have the most immediate impact on production in the short term.

But Risonpalm does not rely solely on wild groves. Planting of a 10,000 hectare "nucleus estate" is due to be completed this year, with the first trees reaching their full productive maturity this year as well. The estate produced some 15,000 tonnes of fruit for the mill last year and the amount is expected to double in 1985.

According to a Socfinco feasibility study, development would be taken a step further by Phase II of the project which would focus on smallholder development through land clearing and reclamation, new plantings, and input supply. The local cost of Phase II (N300m) could be financed from profits of Phase I, while the $250m foreign exchange component would have to be financed offshore.

With palm oil demand expected to top 1m tonnes by 1990 against 1984 production estimated by the United States Department of Agriculture (USDA) at 515,000 tonnes, investment in such projects is critical if Nigeria is to return to self-sufficiency in the foreseeable future.

Supplies improving fast

Fertiliser distribution

ANDREW GOWERS

AFTER years of bureaucratic delay, financial worry and political uncertainty, Nigeria at last seem to be getting to grips with a vital ingredient for agricultural revival: the fertiliser supply.

Procurement and distribution of fertilisers, long bedevilled by corruption and bad management, improved markedly last year under the watchful eye of the World Bank.

And at least as importantly, the Government finally cleared the decks for construction of a new N680m fertiliser plant, designed to produce more than half the country's needs of ammonia, urea and NPK from 1987.

"At long last, the horizon looks pretty blue — for the first time in five years," says a senior executive involved with the plant.

But the most immediate achievement is the improvement in supply. Lack of fertilisers has been identified by successive Nigerian governments as the biggest single obstacle to their aim of boosting food production.

Despite their promises, supply has always lagged far behind demand and even further behind official plans.

Regular supplies of fertiliser are a vital component in Nigeria's agricultural programme. At Gusau, above, where the World Bank has helped finance a major programme, farmers tend their maize fields

Statistics

The figures are notoriously unreliable, but it is estimated that even at its peak in 1981, Nigerian fertiliser consumption — at 12 kg per hectare — was one-sixth of the world average and more than 20 per cent below the average for Africa.

In 1982 consumption declined by another 30 per cent as a result of the growing shortage of foreign exchange.

It was Nigeria's crippling dependence on imports — production from the country's only fertiliser plant at Kaduna is only about 45,000 tonnes a year, compared with estimated demand of 900,000 — and its inability to pay for them that prompted the World Bank to step in with a speedy $250m loan over two years in 1983.

Imports were opened to competitive international tender, and private consultants were brought in to supervise the procurement and distribution.

As a result, Nigeria successfully brought in 745,000 tonnes of fertiliser in 1984 at a total cost of $132m — and this year imports are set to rise further to 1.1m tonnes.

Nobody is claiming that all last year's supplies made it intact to the farms. But there were improvements on several fronts:

- Smuggling of fertilisers to Nigeria's West African neighbours, an operation rendered attractive by heavy Government subsidies and the over-valuation of the Naira, has been curbed by the continuing closure of the country's land borders.
- Competitive bidding for contracts led to significant savings on price and reduced the opportunities for rake-offs by corrupt officials.
- A start has been made with curbing wasteful use of fertiliser by slicing 25 per cent off the massive 75 per cent price subsidy, and the Government is committed to cutting it a further 25 per cent by 1988.

This is a key condition of the World Bank loan—and the Government's compliance on this point is in stark contrast with its refusal to negotiate with the IMF on the removal of petroleum subsidies.

- Some order has been introduced into the gargantuan and previously chaotic task of distributing fertiliser within the country. The National Fertiliser Company of Nigeria (Nafcon), a joint venture between the American company M. W. Kellogg and the Federal Government, supervised the operation for the World Bank, while Diamond Fertiliser and Chemicals, UK subsidiary of Norsk Hydro, and a local food company acted as marketing consultants.

Together, they increased the number of distribution points from 40 to 140, and brought fertiliser supplies within bicycle distance of a great many more farmers.

Nafcon has since been summarily replaced on this job by Britain's Crown Agents. However, its prime task is a much more far-reaching one: setting up, and devising a marketing strategy for the huge new fertiliser plant at Onne near Port Harcourt.

Full speed

Kellogg won the contract for this project as long ago as 1979, and was beginning to despair of ever getting it off the ground.

But suddenly last year, things began to happen. External financing—in the form of a $246m supplier credit from the U.S. Exim Bank and a Y22bn loan from Japan's Ministry of International Trade and Industry—slotted into place. Then in September, the authorities injected the impressive sum of N80m into Nafcon's bank account.

Nobody involved in the project is in much doubt any longer about the Government's commitment to proceeding with it at full speed.

"The Onne project is in better shape than it's ever been in its history," said a Nafcon executive. "The military Government is putting its money where its mouth is."

The first big contracts have now been awarded, with the local subsidiary of the U.S. company Fruco handling the civil works for $82m and South Korea's Daewoo looking after mechanical erection for N58m.

Fed with natural gas from Shell's Alakiri field west of the Bonny river, the Onne plant should eventually be turning out 1,000 tonnes of ammonia and 1,500 tonnes of urea a day.

The only problem then—albeit the most difficult—is delivering it to the farmers. Nafcon is planning to build a rail spur from the plant to an existing main line, and is looking for funds—possibly from the World Bank—to buy locomotives and rolling-stock.

One thing is already crystal clear to Nafcon executives: they want to rely as little as possible on state agencies to distribute the fertilisers.

"Our overall plan is to maximise use of existing commercial companies and develop an integrated agricultural supply industry," says one.

Companies like Chemical and Allied Products, the local ICI subsidiary, and Bayer, with extensive sales networks around the country, are among likely candidates.

Surviving in Lagos: In Part One of this survey, Elizabeth Meek gave key information for overseas business visitors to Nigeria. Today this section looks at useful ways to make the business trip less irksome

Tips for business visitors

Business Guide

● **Choosing your Flight:**
If someone has to make arrangements to meet your flight (always a help if it can be arranged), try and arrive at a social hour.

Lagos has the same time as Britain in summer (it is one hour ahead in winter), so you won't have to contend with jet lag.

British Caledonian and Nigerian Airways fly direct to Lagos from London, with stops in Kano on some days. The flight can take as little as five and a half hours.

There are also flights from the major European capitals. The frequency with which airlines cancel flights at short notice these days, presumably because they do not have a large enough payload, has increased to an irritating degree.

● **Getting through the airport on arrival:**
The reputation of Nigeria's airports still lives on, even though much has been done to improve them. Just keep cool (the air conditioning probably won't be working) and remind yourself that you will get through the airport in the end. There is no point in queue-jumping (you are likely to be singled out for a dressing down in public about the need to notice the principles of WAI).

Don't try to "dash" (i.e. offer a bribe): it won't save you much time and it could be embarrassing.

The worst section is the queue at immigration. This is still slow and disorderly, with an agonising wait while your passport is removed for scrutiny. You will have to produce your return or onward ticket and an immigration card which should have been handed to you on the aircraft.

But, even after this, you will probably still have to wait for your baggage to arrive.

Customs checks are more thorough than they used to be (the officers are looking out for smuggled naira), but again don't dash. If you hire a porter, do not pay more than N2 a case.

You will have to show your yellow currency form and perhaps the currency and travellers cheques you are bringing in, as well at the currency desk, where the form will be stamped. Put it somewhere safe. Then go to the taxi desk where you will book a taxi to take you into Lagos for N20.

The driver will probably treat you to a monologue on how unfair the new arrangement is as he is only allowed to keep N17 and, in the old days, would have probably extracted N30 from an unsuspecting visitor like you. He is certain to tell you that times are hard for the poor man in Nigeria.

● **Where to stay:**
Should you book?
It is much easier nowadays to find accommodation in the hotels, because of the downturn in the economy, so you need not go to enormous lengths to book in advance. WAI has had some effect on the standard of service but some hotels are still not particularly pleasant places in which to stay.

Therefore, if your company has a guest house, then use these private facilities. You will be more comfortable and will have better service and more privacy.

● **Hotels**
The hotels are expensive — you can easily spend £80 a night on just a bed alone. At the international hotels, listed below, you will be expected to pay in foreign exchange. You will have to pay a deposit in advance and keep in credit.

● **Information:**
There is not much published information on Lagos or Nigeria and I am therefore forced to recommend a new guide to Lagos, by Elizabeth Cox and Erica Anderssen. It is called "Survive Lagos" and is published by Spectrum Books on Nigeria. If your bookshop does not have copies, then you can order copies direct from Spectrum at PMB 5612, Ibadan for N9.50 or from their UK address at 48, Britton Street, London, EC1; price £5.70.

There are several goods maps available of Lagos, but they are not always in print. Try the "Best Seller" bookshop at Falomo.

Telephone directories and yellow pages are available from the main post offices, but they are now rather out-dated.

Despite the military Government which puts pressure on the media to toe the line, the Press remains surprisingly outspoken. The Guardian and the Democrat (Sundays) are the serious newspapers, but, as always in Nigeria, it is worth reading three or four to grasp the different angles on a story. The television news has improved in quality, but is more heavily controlled than the papers.

● **If you are ill:**
First of all, do not go to Nigeria if you are unwell (or even if you have toothache). Obtaining medical treatment can be expensive and time consuming. Do obtain good insurance cover so that, if the worst comes to the worst, you can be flown out by air ambulance.

If you do need to see a doctor, try to obtain recommendations. In an emergency, the St Francis Clinic at 24, Keffi Street, SW Ikoyi is open for personal callers. (Doctors rarely make house visits.)

● **Shopping:**
The import controls obviously have an effect on the availability of imported goods. Despite this, you can usually buy most of what you need, unless your tastes are very esoteric. Shopping is not much fun, however, so it is worth taking trouble over your packing so that you do not have to do much of it.

You are unlikely to have to buy food unless you are setting yourself up for a long stay. And if you are, it is always better to ask your steward to do it, or at least go with you, at first.

The main department stores are on the Marina in Lagos—Kingsway, Leventis and UTC.

For food you could try Bhojsuns on Awolowo Road, Ikoyi; the Afin Supermarket on Victorie Island, near the U.S. Embassy; or Molony's in Molony Street, Lagos Island.

If you have visited Lagos before you will notice that one aspect has really changed: all the little stalls in the residential areas have been closed down. This does make the city look tidier, but it makes it more difficult to pop out for a packet of cigarettes.

Wine is extremely expensive to buy in the shops and often tastes dreadful since it may well have been stored in the hold of a ship in tropical climates for six months. Ask for the local beer instead, which is cheap and plentiful. There are numerous different varieties all on the lines of lager rather than bitter.

You will have no difficulty buying presents such as beads, blankets, wooden carvings and imitation Benin bronzes from the stalls outside the hotels, or from Jankara market.

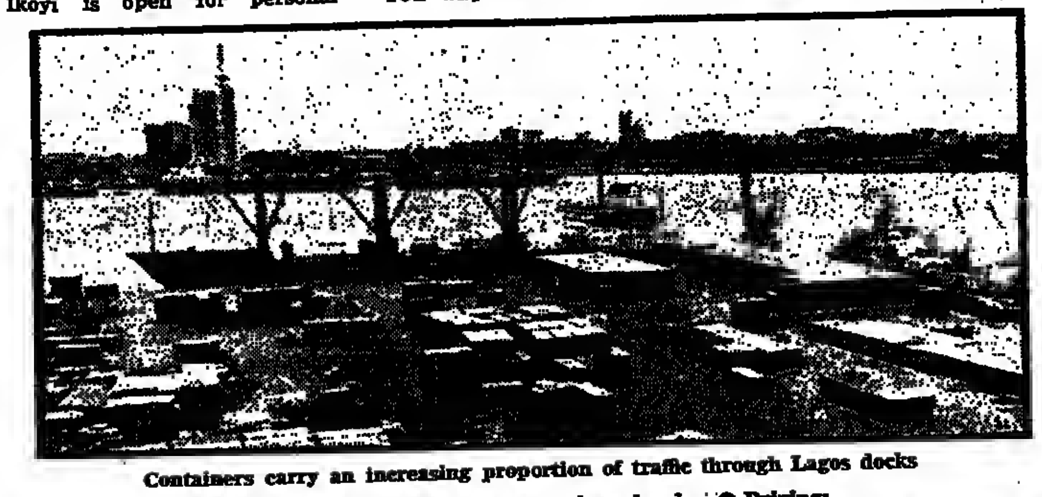
If you suspect that the item you have bought may look like a genuine old carving of artistic value, you should obtain a certificate from the museum to allow you to export it. Otherwise the item may be confiscated at the airport. If it is a genuine work of art, the museum will not allow you to export it.

You will have to use bargaining for anything you buy. Try and get the seller to name his price first. Offer him about one-third of this and, after a reasonable amount of haggling, settle for about half.

Some visitors love bargaining and spend all day negotiating to buy a packet of sugar. Unless you are in this category, do not feel that you have to make a life's work of it. The small saving achieved is not worth the time wasted!

● **"Dash" (a small bribe):**
It is less necessary nowadays to "dash" in order to get small things done for you. This is where WAI comes in. If the man who has just put petrol in your car hangs about saying, "Give me a present," you can say "What of WAI?"—and he will probably give up the attempt.

That said, you do have a lot more money than he has, and if he has done a good job (cleaning your windscreen, perhaps) he deserves a "dash." Do not feel that you have to "bribe" everyone in sight. It is unnecessary and expensive.



Containers carry an increasing proportion of traffic through Lagos docks

● **Driving:**
You probably will not need to drive as there is no shortage of taxis or hire cars. If you do want to drive in Lagos, take an international licence with you to the City Hall, plus two passport photographs. The WAI campaign has had little impact on the quality of the driving which has to be seen to be believed. However, the import restrictions have made it very difficult for people to obtain spares for imported cars.

Tyres cost N300 each and batteries the same. So there are fewer cars on the road and the traffic does move along better, even at rush hour.

You can hire a car by the day for about N90 (or N9 or N10 an hour) from the hotel car parks. Or if you are driven by a friendly taxi man from the airport, you can discuss it with him. Petrol is very cheap at 20 kobo a litre, but as he has to pay huge prices for tyres and spares, he will probably bargain quite hard with you.

● **Eating out:**
Make sure that you can afford the bill before you start ordering. Restaurants which are used by foreign visitors are incredibly expensive nowadays, particularly if you have wine with your meal. Some recent visitors were horrified to see that a light meal for six with wine cost N500. On another occasion, a Chinese meal for two, without wine, came to N85.

But if you are prepared to pay for it, you can order a tolerable meal in Lagos, although it is unlikely to be a great culinary experience. Chinese food can be quite good.

It is difficult to find a choice of West African dishes, although most of the hotels have one or two on the menu. It remains the case that the best food is to be found in private houses: but that is probably true of most countries.

Chinese restaurants:
You coul try the following: the Cathay, 88 Broad Street, Lagos Island; the Mainland Hotel Chinese Restaurant, tel 860010; the Cafe de Chine, Federal Palace Hotel, Victoria Island, tel 610031.

Restaurants with music and/or dancing:
If you like jazz, you would enjoy Art's Place in Yeba where you can listen to music and have a meal if you wish.

Bagatelle is popular and has magnificent views over the harbour (2-8 Broad Street, tel 662410) and Bacchus can produce reasonable Greek food and lively disco music (57 Awolowo Road, SW Ikoyi; tel 681653).

Other restaurants:
Antoine's bar and restaurant has French and Lebanese cooking (61 Broad Street); the Tabriz has Lebanese dishes and is off Martins Street, near the Bristol Hotel.

If you like morning coffee or a light meal, there is a wine bar in the Falomo shopping centre. But watch the price of the wine!

● **Leisure**
If you enjoy squash or tennis, Lagos is the place for you. Similarly golf, sailing, water skiing or polo are all available. Club contacts come in handy to help arrange this. If you have none, the best thing to do is to seek temporary membership of one of the sporting clubs in Lagos.

You would normally need to be introduced by a member, but the staff at the club often arrange introductions. If you belong to a sporting club at home, you may find it has a reciprocal arrangement in Lagos.

● **Beaches:**
Bar Beach on Victoria Island is convenient as a place to get a tan. Unfortunately, it is being eroded by the sea and unless urgent action is taken, there will not eventually be much beach left to lie on. There was once a market selling artefacts and numerous traders with cool boxes of drinks, but most of these facilities have gone, following the Government's clamp-down on street trading.

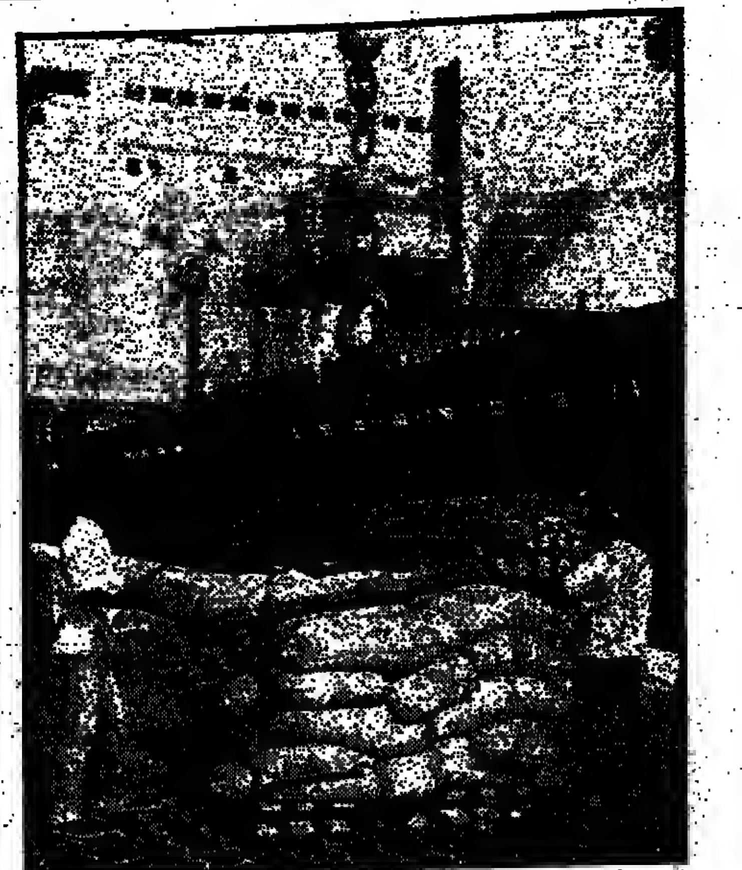
Even if you can find somewhere on the beach to lie down, you will not plunge into the sea to cool off—if you are sensible; the currents are extremely dangerous and the breakers heavy.

The safest place to swim is Tarkwa Bay, at the mouth of Lagos Harbour. You will have to find a boat near the U.S. Embassy, on Eleke Crescent, or from the Marina. Pay about N5 for the return trip, but do not part with your cash until you are on the way back. Take cool drinks and a picnic.

● **Sightseeing:**
Jankara Market in the centre of Lagos Island is worth a visit. It is best to be driven there, as it is difficult to find, even if you have a map. Visitors can buy beads and traditional cloth. Do not go in the rainy season: drainage has been improved, but it still gets rather muddy.

Lagos Museum is certainly worth a visit if you have some time to spare. It is well planned and has a splendid collection of bronzes and many other examples of Nigerian art. Unfortunately, the best pieces seem to be out on tour, for years on end. However they are there at the moment, so call in and see them. If you are feeling adventurous, you can have a Nigerian meal at the "Museum Kitchen," and also buy some souvenirs.

● **Video:** There are video shops everywhere in Lagos and home delivery services are available. You will probably buy films more cheaply than at home and find them more up to date (most are pirated); they usually cost N5 to hire for a week.



Importers have benefited by an easing of tedious regulations.